Russia in crisis

Who will break the Moscow stalemate?

Pages 2 and 13

IMF prescription

Tighten budgets, not monetary policy

Page 5

Gatt deal or not?

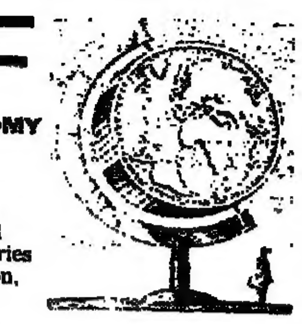
Face-saving and shadow-boxing

Page 7

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY SEPTEMBER 23 1993 — D8523A

IMF WORLD ECONOMY AND FINANCE



As decision-makers from developing and industrialised countries gather in Washington, is the worst of recession now over?

Read tomorrow's FT for a comprehensive guide to events and trends in the world's economies.

Kantor calls for Congress to back Nafta deal

Mickey Kantor, the US trade representative, defended the controversial North American Free Trade Agreement with Canada and Mexico and said an opportunity to secure another such pact would not happen for a generation.

Turning to the current Gatt talks, Mr Kantor dubbed French dissatisfaction with the US-EC farm trade pact, agreed last year, as "an internal EC matter". Page 14; Editorial Comment, Page 13; US cigarette law attacked as illegal, Page 7

US accountants hit by litigation: Insurance companies paid a net $185m to settle litigation claims against the largest six US accountancy firms last year, according to figures which show the firms paid a net $598m in legal costs, settlements and insurance premiums, or nearly 11 per cent of their total accounting and auditing revenues. Page 14

Bank of England backs modest moves: Eddie George, governor of the Bank of England, backed UK government efforts to scale down the European Community's ambitions in economic and monetary co-operation. Page 14

IMF warning: Current budgetary trends in many big industrialised countries are unsustainable, according to the IMF in its latest World Economic Outlook. Page 5

S Africa transition vote: South Africa's parliament is due to vote today on legislation to end exclusive white rule, against a background of mounting political violence including two massacres on Tuesday night which left at least 30 blacks dead. Page 6

Protection for EC investors: The European Commission approved proposals for protecting investments in stocks and shares at risk through shaky or bankrupt investment firms. The scheme would require minimum coverage of Ecu20,000 ($23,600). Page 3

Caution over larger Nato: Nato should consider carefully before enlarging its membership to include former Warsaw Pact countries in central Europe, Mr Malcolm Rifkind, British defence secretary, said in Moscow. Page 4

Japan chip share upset: US semiconductor industry and trade officials expressed dismay at a fall in the foreign share of Japan's semiconductor market below the 20 per cent annual target level which Washington has laid much store by. Page 7

Diamond discovery: BHP Minerals of Australia and its Canadian partner, Dia Met Minerals, are expanding operations in Canada's Northwest Territories amid growing indications that they have discovered one of the world's richest diamond deposits. Page 24

Argentaria, the state-controlled Spanish banking group, will decide within two weeks which international investment house will receive the mandate for the bank's second issue of shares. Page 15

Japanese audiovisual industry: Troubles afflicting Japanese makers of audiovisual products were underlined by a profits downgrade from JVC and an announcement from Hitachi that it was closing its German video recorder factory. Page 15

Thorn EMI saw shares fall 11p to 977p on fears over possible US legislation aimed at curbing the behaviour of staff at the group's American rental subsidiary. Page 15

Train crashes in US swamp: At least 33 people were confirmed dead and 48 were still missing after a passenger train crashed into an alligator-infested swamp near Mobile, Alabama. At least one carriage was totally submerged and the death toll was expected to rise.

STOCK MARKET INDICES

FT-SE 100:	3007.5	(+5.9)
Yield	3.9	
FT-SE Eurotrack 100	1271.99	(-7.56)
FT-A All-Share	1494.78	(+0.1%)
Nikkei	20,174.62	(-292.03)
New York: lunchtime		
Dow Jones Ind Ave	3532.49	(-4.75)
S&P Composite	454.06	(+1.11)

US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{16}$%
3-mo Treas Bills: Yld	2.962%
Long Bond	$101\frac{21}{32}$
Yield	6.123%

LONDON MONEY

3-mo Interbank	$5\frac{13}{32}$%	(same)
Liffe long gilt future:	Sep $112\frac{1}{16}$	(Sep $112\frac{7}{16}$)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.29	(16.53)

Gold

New York Comex (Dec)	$356.0	(365.0)
London	$354.25	(353.3)

STERLING

New York lunchtime:		
$	1.51685	
London:		
$	1.5205	(1.523)
DM	2.475	(2.4675)
FFr	8.62	(8.605)
SFr	2.1575	(2.16)
Y	161.75	(162.0)
£ Index	80.6	(80.6)

DOLLAR

New York lunchtime:		
DM	1.63085	
FFr	5.67805	
SFr	1.42365	
Y	106.3	
London:		
DM	1.6285	(1.6195)
FFr	5.67	(5.65)
SFr	1.4185	(1.4175)
Y	106.45	(106.3)
$ Index	64.9	(64.7)

Tokyo close Y 105.98

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lev25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils 600	Poland	Zl22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Russian military and foreign governments back president against rebels

Yeltsin wins support for abolition of parliament

By John Lloyd and Leyla Boulton in Moscow

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- Yeltsin gives reformers hope
- The generals' morning after
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RUSSIAN president Boris Yeltsin survived his first day of direct presidential rule showing increasing confidence as a chorus of support from the military, former Soviet neighbours and foreign states greeted his decision to abolish the parliament and hold elections.

The parliament, after a blaze of defiance early yesterday morning, found its parallel presidency lacking levers to pull, and its calls for strikes, protest meetings and civil disobedience without apparent effect.

In the early hours of Tuesday morning it had voted to strip Mr Yeltsin of power and install his conservative deputy, Mr Alexander Rutskoi, in his place.

Mr Yeltsin also shrugged off the Constitutional Court's decision to pronounce his decree unconstitutional.

He walked genially about central Moscow in the autumnal sun, promising that "there will be no blood" as a result of his action. "If the parliament does not exist, there is not, there must not, be any dialogue with it."

The international support for Mr Yeltsin strengthened as Nato and the European community joined the US, Japan and most of the European countries in backing the Russian president.

Mr Willy Claes, Belgian foreign minister, said on behalf of the European Community that the EC supported Mr Yeltsin's move, even though it was unconstitutional.

Mr Manfred Wörner, Nato secretary-general, insisted the alliance would support democratic forces to prevent Russia from falling into chaos.

US president Bill Clinton expressed his confidence that the situation would remain calm and Mr Yeltsin retain control until elections in December.

In Germany, which had initially reacted with caution to the events, Mr Theo Waigel, German finance minister, said Russian leaders must make it clear that economic reforms would continue or lose international financial aid.

Senior officials of the Group of Seven and International Monetary Fund said Mr Yeltsin had appreciably improved his chances of receiving the assistance which had been delayed as the reform process stalled.

Mr Yegor Gaidar, who has returned to the cabinet to head economic reform, appeared before the press for the first time since assuming office, and said his three main tasks were to deal with inflation, to avoid populist policies and further to liberalise the economy.

Mr Gaidar is preparing a raft of economic measures which are likely to include raising energy prices and further liberalisation of trade. He may also consider cutting subsidies to the agricultural and defence industries - constituencies which are unlikely ever to support radical reform and which can be acted against with relative impunity.

Mr Boris Fyodorov, the deputy prime minister for finance, asked what kind of budget he would bring in now that he is freed from parliament's insistence on implementing a budget with a deficit of 25 per cent of gross national product, replied with a smile: "We can now bring in any budget that we like."

Mr Vladimir Shumeiko, another first deputy prime minister, said that in the weeks before the elections on December 11-12, a draft constitution would go before the constitutional assembly and preparations for elections would be made to the State Duma, the lower house of the

Continued on Page 14

Reuter

Boris Yeltsin (right), with defence minister Gen Pavel Grachev, addresses Muscovites in Pushkin Square

Primerica share bid values Travelers at $5.5bn

By Richard Waters in New York

PRIMERICA financial services group of the US is planning a bid valuing Travelers, the US composite insurer hit in recent years by troubled property investments, at $5.5bn. This would rank it as one of the largest insurance takeovers in US history.

If completed, the all-share deal would create a financial services group combining one of the US's biggest insurers with the country's second largest retail stockbroker, Primerica's Smith Barney Shearson.

The new group, capitalised at more than $15bn, would be among the largest financial services companies in the US.

Primerica said in a brief announcement it was discussing a possible merger with Travelers under which it would offer 0.80423 of a share in Primerica for every Travelers share. It said that negotiations were continuing, and that if completed Primerica would be renamed The Travelers.

Mr Sanford Weill, chairman and chief executive, who has built Primerica through takeovers since the late 1980s into a diversified consumer credit, investment and insurance group, agreed to pay $722m for a 27 per cent stake in the 129-year-old insurer last September. Since then, he and three other Primerica executives have sat on the Travelers board and have been instrumental in efforts to sort out the insurers' finances and operations.

Earlier this month Travelers accelerated the disposal of its troubled real estate portfolio as it sold $634m of property assets to Mr George Soros, the US-based investor. Its $4.3bn of underperforming commercial property mortgages and properties still makes it the worst hit among US insurers by the property downturn.

Travelers has also accelerated moves to cut its workforce by merging offices and moving out of unprofitable business areas. A plan to cut 5,000 jobs, announced last year, is likely to reduce total

Continued on Page 14

French budget offers boost to economy

By David Buchan and John Ridding in Paris

THE French government yesterday unveiled its 1994 budget plan to give the recession-hit economy a modest boost, using tax cuts and incentives to encourage investment and consumption and privatisation proceeds to reduce the budget deficit.

But Mr Edmond Alphandéry, economy minister, admitted the government had reduced its estimate of recovery in consumer spending next year to 0.7 per cent, even though he insisted that France's economic situation "is not getting any worse".

The government is sticking to its forecast that the economy will recover from an estimated 0.8 per cent drop in gross domestic product this year to grow by a real 1.4 per cent in 1994, but this improvement would be largely due to a pick-up in foreign demand for French goods, he said.

The chief measures outlined by Mr Nicolas Sarkozy, the budget minister, call for:

- An increase in overall spending in 1994 of 1.1 per cent, below the predicted inflation rate of 2.2 per cent. Higher increases are targeted towards classic conservative priorities, including defence and police, but also for fighting unemployment.
- A reduction in the budget deficit to bring it down from an estimated FFr317bn ($55.6bn) this year to FFr300bn next year. The government is counting on getting FFr55bn from the sale of state companies next year, up from its planned gains from privatisation of FFr43bn this year.
- Some FFr19bn in tax cuts, mainly to provide relief for the middle classes. They form the centre-right government's main political constituency and bear the brunt of a steeply progressive income tax that is paid by only half of French households. The top tax rate would stay at 56.8 per cent, but tax brackets will be simplified and reduced from 13 to seven.
- Fiscal reforms aimed at shifting French savings towards housing, consumption and longer-term deposits. The Association of French Banks welcomed the move as "a step towards a more logical savings system", but expressed disappointment that some measures would not take effect until 1995.

More immediate will be the impact of removal of capital gains tax on Sicav money funds which are withdrawn for investment in housing. Economists in Paris said this would revive the depressed housing sector.

The budget package evoked little enthusiasm, even from within the ranks of the government's parliamentary majority where the UDF budget spokesman described it as "the least worse outcome that is possible in very difficult circumstances". The Socialist opposition denounced the tax cuts as "bluff" because they hid larger tax increases which the government had consolidated into its new budget.

Many economists believe that the tax cuts and incentives are by themselves too modest to pull the economy out of recession. But all that Mr Alphandéry would say about possible interest rate cuts was to comment that "I know the impatience of some people" on this score.

China says Hurd's remarks may harm relations with UK

By Keith Wheatley in Monte Carlo

CHINA gave a veiled warning yesterday that an attack by Mr Douglas Hurd, Britain's foreign secretary, on Beijing's suitability as a site for the 2000 Olympics could further harm Sino-British relations.

The International Olympic Committee will choose from five contenders for the site tonight, with Beijing still the favourite.

In Monaco to spearhead Beijing's bid, Mr Li Lanqing, a Chinese vice-premier, said: "We feel astonishment and regret at Mr Hurd's remarks." Mr Hurd implied in an Australian television interview last week that Beijing did not deserve to host the games because of its poor human rights record.

Mr Li, a former trade minister, said of Mr Hurd's interview: "This is politics and I believe that sport and politics should not be mixed."

He went on to caution: "The improvement of bilateral relations depends on the efforts of both sides."

Without being prompted, he raised the question of the future of Hong Kong, saying in a clear linkage of the two issues: "China is sincere in all its talks with Britain. We would like to see a fair and equitable settlement of the question of Hong Kong."

Sydney, Manchester, Berlin and Istanbul are also competing to host the millennial Olympiad. Two prime ministers - Mr Paul Keating of Australia and Mrs Tansu Çiller of Turkey, arrived yesterday to reinforce the final bid presentations to the IOC today.

Mr John Major, the UK prime minister, will fly in from his Asian tour this morning.

Manchester and Beijing each flew in dozens of children to provide street performances. The Savarona, the large 1930s steam yacht which once conveyed Kemal Atatürk, the founder of modern Turkey, moored in the harbour to support Istanbul. Celebrities as diverse as singer Shirley Bassey and tennis player Steffi Graf turned up, to support Manchester and Berlin respectively.

The five contenders are together estimated to have spent more than $125m on campaigns.

Mr Li said that if Beijing won, China would seek the IOC's permission to hold sections of the games in Hong Kong and possibly Macao - both of which are due to have been returned to Chinese sovereignty by then - as well as Taiwan. Although the Taipei and Beijing governments do not recognise each other, Taiwanese businessmen favour Beijing's bid.

On human rights, Mr Li asserted that for millions of Chinese citizens life had improved: "A lot of people who criticise China's human rights record have never been to our country." "Better to see once than hear 100 times," he added, quoting a Chinese proverb.

Mr Bob Scott, chairman of the Manchester bid, said: "I don't have a sense of human rights and Beijing being talked about among the IOC members," adding that "doubts over China seem to involve organisational capacity and the future stability of the country".

Lobbyists stalk Olympics committee, Page 6

CONTENTS

Yeltsin gives reformers cause to hope

By Leyla Boulton and John Lloyd in Moscow, Edward Balls in London and Quentin Peel in Bonn

RUSSIA'S radical economic reformers, boosted by President Boris Yeltsin's dissolution of parliament and the return to government this week of radical economist, Mr Yegor Gaidar, are preparing a counter-offensive after the reverses of recent months.

Although the government stressed it was business as usual despite what President Yeltsin's opponents describe as a coup, his decree to replace the Soviet-era parliament with new elections in December, comes at a critical juncture.

The International Monetary Fund and World Bank, which had grown increasingly frustrated by divisions within the cabinet over pursuing radical policies proclaimed in public, are expected to be encouraged by Mr Yeltsin's decisiveness.

The timing of the decision is also useful. Russia had promised to sign a standby agreement with the IMF by October 1 as part of a debt rescheduling agreed with western creditors. But the latest political crisis, and the boosting of the reformist camp, will give it much more leeway in dealing with western institutions.

Senior officials of the Group of Seven industrialised countries have for some time considered the current parliament to be an important obstacle to economic reform which Mr Yeltsin would have to remove.

In a clear sign of support for Mr Yeltsin, Germany said yesterday it would today sign a debt-rescheduling deal with Russia to delay payment of capital and interest on DM8bn (£3.2bn) of outstanding credits, due since the end of 1991.

In return, Russia has agreed to pay some DM500m in outstanding debt service payments by the end of September, to ensure that German credits are given the same treatment as those of all other creditors, including US loans for grain purchases.

Germany has always insisted that as the largest official creditor to Russia it should receive equal treatment. The rescheduling deal is the bilateral element of the Paris Club agreement reached with the Russian government earlier this year, allowing repayments to be extended over a further 10 years.

Western observers closely involved in Russia's reform effort were optimistic that Mr Yeltsin's willingness to take on his opponents would not undermine the reform cause and could even accelerate it.

"Mr Yeltsin has finally put economic reform on the line," said Mr Stanley Fischer, professor of economics at the Massachussetts Institute of Technology, and a former chief economist of the World Bank. "If Yeltsin wins, then the reform programme can succeed. If he loses, then that's it for reform."

There had been some concern in western capitals that Mr Yeltsin had not moved more quickly to deal with the constitutional issue after his referendum victory early this year. Western governments and the IMF have taken an increasingly cautious stance towards aiding Moscow since the chaos of the government's abortive currency reform in early July.

Yesterday, the rouble lost 6 per cent against the dollar which sold for Rbs1,102.

ON GUARD: A line of policemen deployed in front of Moscow's White House yesterday to control any repeat of Tuesday night's demonstrations by hardliners Reuter

Regions divided over Moscow battle

By Leyla Boulton

A MIXED picture emerged yesterday from Russia's regions as many local governments backed Mr Boris Yeltsin and others sought to weigh up the implications of the showdown in Moscow.

Several of the country's 88 provinces and republics came out in support of the president.

Mr Yuri Nozhikov, governor of Siberia's Irkutsk region, said yesterday Mr Yeltsin's decree was unconstitutional by the letter of the law, but he added: "Is there any other way out in a situation where parliament does not wish to act constructively?"

Many officials directly involved in carrying out the government's market reforms, the most noticeable of which has been its mass privatisation, warmly endorsed the president's decision.

"He should have done this much earlier," said Mr Pyotr Lanskov, deputy head of the St Petersburg privatisation fund." "I only hope the president has enough political will to carry out his decree. If he does, Thank God. If he doesn't, and parliament wins out, that will no doubt mean an end to the privatisation programme." Mr Vyacheslav Silin, deputy chief of the Murmansk administration near Norway in the far north, said the Supreme Soviet had become "divorced from reality".

"I think the Russian people are wise enough not to start a civil war just because of a small bunch of people who place their interests above those of the nation," he said.

But Mr Boris Nemtsov, governor of the Nizhny-Novgorod region, which is a pioneer of market reforms, said the present government should take on all presidential responsibilities until new elections to end the confusion.

Some of the heads of regional councils, such as in the industrial region of Perm, condemned Mr Yeltsin's move.

The republic of Udmurtia went as far as seizing new rights for itself in response to the president's decree. It announced that henceforth its laws would be above those of the Russian government. The bigger republics, such as Yakutia, and Bashkortostan, have already appropriated sweeping rights for themselves in the past, while Chechnya has declared its independence. If Mr Yeltsin wins his battle with parliament, one of the most testing challenges will be to respond to the long-festering grievances in the regions, mainly over the sharing of power and resources.

Mr Victor Chernomyrdin, the prime minister, yesterday promised to seek extra revenues for provinces, which have considered withholding from Moscow a larger share of local taxes.

But the promise appears little in relation to the sweeping reforms needed to transform the so-called Russian Federation into a real federal state.

Drama in streets is pure theatre

By John Lloyd

THE posters, lashed to the railings round the White House like cardboard suffragettes, were violent enough.

"Yeltsin's threat to the Supreme Soviet is a threat to the Russian People! Enough of this alcoholic! We must strengthen Russia!"; "The people trust and support their Supreme Soviet! No to elections! Yeltsinism out of Russia!"; "Zionists and swindlers out!".

But the crowd around the White House late yesterday morning, numbering perhaps 2,000 - 3,000, were more farcical than tragic. Many were elderly. A little glee-club of women pensioners, sitting behind a banner proclaiming the Young Communist League, sang Soviet anthems, charmingly. Another lady recited a poem passionately patriotic, summoning the spirit of Russia from the depths.

Several circles were simply being informed by the more learned of their number as to what was happening. A lady held out a bucket to gather small-denomination notes in support of the people manning the "barricades" - mainly constructed out of rusting radiators, of which the defenders must have found a store.

The sun shone, the air was mild.

There were many red Soviet banners, but more black yellow and white Imperial standards, and St Andrews' crosses - the standard red white and blue Russian flag evidently regarded as that of the enemy. Several men were writing up lists of supporters or future combatants - one young man held a placard saying "soldiers for Rutskoi", but there was no sign of any recruits.

Mr Igor Kressitsky, a pensioner, held a copy of the newspaper Den (the influential far-right weekly) and regretted the loss of the Soviet Union. "We were one people, do you understand, and as one people we were great and we had peace here and peace in the world. Can you deny that? Can you?"

The largest group was laughing. On approach, it was revealed they were laughing at an improvised play being acted out by an elderly, patriarchal Russian called Sergei with a white beard and glinting eyes, and a youngish American called Steve. Sergei was teasing Steve.

"Now, Steve, Steve, listen to me, Russia is not as wretched as it looks. Even I am not as wretched as I look. Steve, don't be deceived by my appearance. I am one of a great people. Steve, we threw back the Germans ourselves. Now we are throwing back the Americans! No, Steve, don't worry, we are friends, I have the warmest feelings for you, come and drink something at my house, only unfortunately I have no whisky for you."

Steve, who spoke some Russian but not enough to parry Sergei in the midst of a laughing crowd, said something about wishing to be friendly with everyone. "Steve, this is my idea. My idea. I want you to tell it to the American Ambassador, what is his name?"

Steve did not know. "Pickering", I said.

"Picketing, picket (the word is the same in Russian). He is a picket here with us, the ambassador. How wonderful, he supports us." (The crowd in transports of delight).

"You see, Steve, we are all friends, you, me, the American ambassador . . ." Relieving Steve finally of his embarrassment, Sergei led him out of the circle of the crowd with every apparent attention of taking him home for a drink.

Reform still selling down on Karl Marx St

By Leyla Boulton recently in Irkutsk

KARL Marx Street in the centre of Irkutsk is typical of the market reforms sweeping Russia's provinces.

Walk into any shop and you will find a wide range goods, which became available only after the Russian government freed prices and imports in January last year.

Employees in the corner grocery store, clad in filthy white uniforms, look and behave much the same as they did before the shop was privatised. A wall-poster on an elegant pre-revolutionary building advertises evening courses in accounting, management and "other skills essential for succeeding in a market economy".

But, as in the rest of provincial Russia, continued progress in Irkutsk - the province and provincial capital 4,000km east of Moscow - has been threatened by the political battle in Moscow.

Irkutsk has 3m inhabitants, is the size of Turkey, and is in eastern Siberia, close to the Mongolian border. It is primarily a mineral-rich area, containing Russia's biggest hard rock gold deposit.

For the shoppers on Karl Marx Street, reform has been harsh and bewildering. High prices in the shops make all but basic staples unaffordable for many. But grudging popular support among local people helped to pave the way for Mr Yeltsin's decision on Tuesday to replace the old-style parliament with new elections.

Irina, a middle-aged nurse earning Rbs47,000 (£30) a month, said: "We have always been poor. Now we have the freedom to do what we want so at least that's an improvement. We like Yeltsin, we feel that he's our *muzhik* (guy), but you get the impression that they're always throwing a spanner in the works." She was referring to the Russian parliament and everybody else whom President Yeltsin has accused of blocking reforms.

Yevgeny, a young architect, says the present government must be allowed "to get on with the job, and then you can judge them." He added: "But this way, nobody is taking responsibility for anything."

The reaction of Yuri, a worker at a plant beside Lake Baikal, seems to reflect disenchantment with the spectacle of squabbling politicians. "The parliament is in the way and should be got rid of," he said.

The infighting in Moscow has also meant that a federation treaty that was due to devolve power to the regions, has not yet been applied. This in turn has threatened to pull the country apart, with individual regions and republics competing with each other to transfer as little tax as possible to the centre while gaining as much power as possible.

While Moscow still determines matters as trivial as fishing and hunting regulations for Irkutsk's rich lakes and forests, decision-making on more substantial issues, such as the mining of its rich mineral deposits, is paralysed.

"No wonder they say laws are not being applied. Moscow can no longer decide everything from so far away," says Mr Victor Ignatenko, head of the regional parliament.

The challenge for Mr Yeltsin is to take up the understandable grievances in the regions and republics.

Many regions are simply grabbing whatever rights they can in the mean time. When a few Russian provinces this summer declared themselves "republics" - a superior administrative entity designed by the communist authorities to give ethnic minorities a semblance of statehood - cautious Irkutsk decided against following their example.

Absence of violence calms the markets

By James Blitz and Conner Middelmann

THE dollar yesterday lost much of the ground it had won against the D-Mark in the immediate aftermath of the Russian crisis as dealers took the view that events in Moscow would not unsettle western nations or financial markets.

Shortly after President Yeltsin's announcement that he would be suspending parliament, there had been a frantic round of dollar buying as dealers viewed the US currency as a "safe haven".

But yesterday, the dollar lost much of the ground it had made up, as dealers were encouraged by signs that the crisis in Moscow was not spilling onto the streets.

After peaking at DM1.6475 on Tuesday night, the dollar slipped back to close in London yesterday at DM1.6285.

Bond markets remained calm for most of the day, as dealers also took the view that President Yeltsin was winning the power battle in Moscow.

However, there was a frantic round of selling late in Europe by intra day traders who were seeking to take profits.

Trading in fixed-income markets is expected to remain choppy in the next few days and investors may yet decide to shift some funds out of Europe if the Russian crisis shows no signs of being resolved.

Gold trading was also a good deal calmer after a wild response to the Russian news on Tuesday evening. The price of gold closed at around $353.95 an ounce.

Only three years ago

The new president gives his inaugural address to parliament

President and parliament

Yeltsin's demands

The creation of a Federation Council, initially comprising the existing heads of the administrations and parliaments of Russia's 88 regions and republics.

This would be the top tier of a new, two-chamber parliament known as the Federal Assembly, which would be the supreme legislative body.

Subsequent elections for this new arrangement would supersede the existing Supreme Soviet and its Congress of People's Deputies.

The 400-member lower house would be the State Duma, of which two thirds would be elected from individual constituency candidates and a third from party lists.

The new parliament would adopt a new constitution to lay the legislative basis for division of powers among parliament, presidency, national government and regional administration.

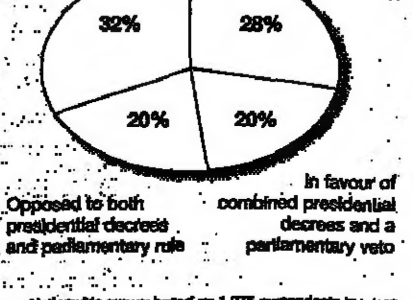
New Federation Council, presidential and local elections would then be held.

The president would continue to be head of state and the highest official (there would be no vice-president). The president would appoint the prime minister and propose candidates for other top appointments.

He could dissolve parliament under certain conditions.

The new parliament, unlike the present one, would be strictly limited to legislative and supervisory powers and no longer be the "supreme organ of state power".

The people are divided*



* Nationwide survey based on 1,975 respondents in urban and rural areas, late-June to late-July

Source: Professor Richard Rose of Strathclyde University

Morning after the night of the generals

By David White, Defence Correspondent, in Moscow

A RUSSIAN general who had been up all night in emergency meetings as his country's constitutional crisis unfolded still attended a pre-arranged meeting with a group of foreign journalists yesterday at the General Staff Academy in south-west Moscow.

Colonel General Valery Mironov, deputy defence minister in charge of personnel and training, refused to take sides in the stand-off between President Boris Yeltsin and General Alexander Rutskoi. The parliament has also moved to try to oust Gen Mironov's boss, Gen Pavel Grachev, as head of the Defence Ministry.

Gen Mironov insisted that the armed forces must stay out of the conflict. After Mr Yeltsin's announcement, he said he managed to contact almost all the commanders of Russia's military districts. "I have the opinion that the majority of servicemen have stated that they are not going to intervene in these events," he said.

Top defence officials, in hastily called meetings, issued orders prohibiting agitation and political activity in military units, Gen Mironov added. His impression was that these orders had received "very great support" in the 2m-strong armed forces.

Earlier yesterday Gen Mironov and other senior officers listened politely to Mr Malcolm Rifkind, the British defence secretary, when he addressed military officers at the academy. But there were murmurs of disapproval among the senior officers as Mr Rifkind expressed forthright support for Mr Yeltsin. It was not clear, however, whether the disapproval was in response to interference by a foreigner or to Mr Rifkind's support for Mr Yeltsin.

Mr Rifkind told the Russian top brass: "The Russian people are clearly at a vital stage in the development of their democratic institutions.

"Mr Yeltsin's mandate for radical economic and political change has been regularly thwarted by institutions with fewer democratic credentials than his own."

There were murmurs of disapproval among Russian military officers as Malcolm Rifkind, the UK's defence secretary, expressed forthright support for Mr Yeltsin

Yesterday, military units were understood to have been placed on alert, with emphasis on guarding arms depots and nuclear sites. The latter move appeared to be largely designed to reassure foreign governments, which during the August 1991 coup attempt became extremely anxious about the command and control arrangements for nuclear weapons.

Gen Mironov acknowledged that there were grievances within the armed forces, affected by a loss of prestige, staffing problems and tough economic conditions. He had himself told Mr Yeltsin of soldiers' complaints about pay. There had been delay in payment, especially to troops stationed in other former Soviet republics, and pay had failed to keep up with inflation.

"It is natural that young officers should have doubts about staying in the service," he said. He did not rule out political agitation by "certain groups of officers and individuals" – but he predicted that there would be no full-scale movement throughout the forces. "I do not foresee any possibility of mass activity in the armed forces."

Gen Mironov said that despite the difficulties, Russia was still able to sustain its forces and to manage to restrain servicemen from active political involvement. The forces still maintained "a certain combat capability", he said.

Gen Mironov, 49, graduated from the academy in the same class as Marshal Yevgeny Shaposhnikov, former head of the forces of the Commonwealth of Independent States.

For three years he was commander of a motor rifle division on active service in Afghanistan, an experience which he said had made him extremely wary of military interventionism.

The academy, which is a grandiose octagonal structure, still stands as a symbol of Russian military power and confidence.

Its 12 storeys are faced with white marble and its entrances decked with 25-foot mosaics depicting indomitable Soviet heroes.

However, like Russia itself, this senior officers' school is nowadays less of a fortress, and the military establishment is gradually adapting to the new political realities.

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Protection scheme for EC investors

By Lionel Barber in Brussels

THE European Commission yesterday approved proposals for protecting investors in stocks and shares whose savings are at risk through shaky or bankrupt investment firms.

The scheme would require minimum coverage of Ecu20,000 ($23,600) as a safeguard for stock investors throughout the Community.

This would match the limits set under a similar EC-wide bank deposit guarantee scheme which was agreed by EC ministers a week ago.

EC finance ministers are expected to consider the compensation plan for stock and shares in the first half of next year. If approved, it would become effective in January 1996.

This is the date when share dealers will be allowed to operate throughout the EC, once they are licensed in one of the 12 member states – a move which the Commission hopes will stimulate the growth of small investors.

Under the Commission proposal, EC member states would repay 90 per cent of the first Ecu20,000 at risk.

Some member states such as France, Germany and the UK believe that this limit is too low; however, Commission officials pointed out yesterday that it would be difficult to change the figure in the light of the bank deposit guarantee scheme.

"Some banks are involved in selling stocks and shares," explained one Brussels official who said the latest proposal reflected the need for consistency of treatment of banks and investment firms.

The plan would require investment firms to belong to a national compensation scheme which would then cover all the firm's investment clients, including those in other member states.

Because the plan sets only minimum cover, EC countries with higher levels of compensation would be allowed to keep them.

Most EC countries now provide higher protection for stock investors, but others such as Denmark, Spain and Portugal have no schemes or minimal compensation.

● The Commission said yesterday it was doubling the amount of money it gives to help people who are at a big disadvantage finding work, Reuter reports from Brussels.

It said it was proposing to EC governments to increase to Ecu121m from Ecu53m the amount of money available to help those who find it harder than usual to find work because they are homeless, ill or do not have access to public services or training.

"This proposal for a new programme to run from July 1994 to December 1999 comes at a time when European society is faced with unacceptable and rising levels of poverty and exclusion," the Commission said.

It said 52 million people – 15 per cent of the EC's population – were poor and three million homeless.

"With rising unemployment, Europe is faced with new forms of exclusion and poverty."

Ruhr miners stage protest

By Ariane Genillard in Bonn

GERMAN miners went on strike yesterday to protest against job cuts announced by recession-hit Ruhrkohle, Germany's largest coal producer.

Miners broke off early from their morning shifts to join fellow workers protesting in the streets of all major towns in the Ruhr valley, Germany's industrial heartland. IG Bergbau, the coal miners' trade union, said 60,000 miners from Ruhrkohle's 80,000 workforce had stopped working.

Most of the miners went back to work in the afternoon, except those from the Monopol pit at Bergkamen, which will be closed under the plans, and those from the Niederrhein area, who said they would stay out until Chancellor Helmut Kohl intervenes.

"Nobody on the Niederrhein will go underground again, until the chancellor keeps the promises he made in 1991 - to maintain coal production," a union leader said.

The miners' anger was prompted by Ruhrkohle's decision on Tuesday to axe an additional 6,000 jobs next year.

Reuter

Olympique Marseille, already barred from defending their European Cup crown, suffered another blow yesterday when French soccer authorities stripped them of their league title for their role in a bribery scandal, Reuter reports from Paris. French Football Federation president Jean Fournet-Fayard (above) said: "We had to take sanctions in this affair, which has seriously harmed the morality of our sport." Fifa, world soccer's governing body, had threatened to suspend France from international competitions unless sanctions were taken by today to end the saga in which three Valenciennes players said they were offered money by Marseille to throw a league match.

Norway banker foresees krone link to Europe

By Karen Fossli in Oslo

NORWAY'S central bank governor Hermod Skaanland said he believed Norway would in some way or other link the krone to a future European currency system even if Norway did not become a member of the European Community.

"Should we not become a member, I think we will nevertheless seek a currency regime which in some way or other is tied to the European system and on a basis as mutual as circumstances will permit," Mr Skaanland told delegates of the annual meeting of the Federation Internationale des Bourse de Valeurs.

Norway unilaterally linked the krone to the European currency unit in October 1990, but was forced to float the domestic currency last December during turbulence in the European exchange rate mechanism which also forced neighbouring Sweden and Finland to float their currencies.

After an immediate fall of about 6 per cent in the krone's value against the Ecu, it has returned to about 3.5-4 per cent below its pre-float level.

"A unilateral link to the Ecu of the kind we had up to December last year does not appear a very promising alternative. Something more robust is needed," Mr Skaanland said without giving details.

Norway is currently negotiating membership of the EC but polls put opposition to accession at about 58 per cent with just 31 per cent in favour.

The issue will be decided by a referendum, possibly in 1995.

"As a member, Norway would be fully prepared to participate in the foreign exchange co-operation within the European Community which may at that point in time exist.

"In the meantime, I suppose we will continue to await the course of events without any major change in our exchange rate policy," he said.

Weapon imports 'source of instability'

By Gillian Tett

TURKEY and Greece have become two of the largest importers of big weapons systems in the last two years, providing another potential source of instability in the Balkan region, a study claims today.

The research, by the British American Security Information Council, an independent think tank, says Greece received more weapons systems in 1992 than almost any other country in the world, spending some $1.9bn (£1.23bn) on arms, while Turkey spent $1.5bn on similar purchases.

Turkish and Greek officials yesterday denied the figures. However, western military officials confirmed that both countries had been involved in a large build-up in recent years, fuelled by donations of second-hand weapons from other Nato countries.

One Nato official said: "The figures seem surprising, but there is no doubt that the transfer of equipment has been the largest in the region."

In spite of fears that a conflict in the former Yugoslav regions of Macedonia or Kosova could embroil Greece and Turkey, diplomats cite tensions between Greece and Turkey are the main reason for the build-up.

Big PVC maker to lift prices by 10%

By Paul Abrahams

EVC, the joint-venture between Imperial Chemical Industries of the UK and the Italian group Enichem, has announced a 10 per cent increase in polyvinyl chloride prices.

The western European PVC industry has been losing DM1bn (£400m) a year, says EVC, Europe's largest PVC manufacturer.

EVC said it was raising the price of grades for pipes to a minimum of DM1.20 a kilogramme, and DM1.25 for other grades from October 1. Prices of pipe grade PVC slumped from DM1.75 in 1991 to below DM1 last year. The industry reckons its needs prices of about DM1.45 to break even.

Attempts by west European manufacturers to increase prices by about 30 per cent last year not only failed but led to a cartel investigation by the European Commission.

The company justified the latest increase by arguing low European prices had driven imports away to non-European markets. This had led to an increase in demand for EVC's products during the summer, it claimed.

The PVC market has been swamped by falling demand and increased imports from eastern Europe.

NEWS: EUROPE

Caution urged on Nato expansion

By David White, Defence Correspondent, in Moscow

NATO should consider carefully before enlarging its membership to include former Warsaw Pact countries in central Europe, Mr Malcolm Rifkind, British defence secretary, said in Moscow yesterday.

He expressed clear UK reservations about an early move to integrate Poland, the Czech Republic, Slovakia and Hungary.

Enlargement is set to be a central issue at the Nato summit in January.

The UK is taking a notably more cautious line than has recently emerged in the US and Germany, particularly from Germany's outspoken defence minister, Mr Volker Rühe.

Mr Rifkind told the Russian General Staff Academy: "Membership of Nato involves responsibility as well as rights and cannot just be seen as a political statement or as a means of enhancing the security of any one individual country."

Nato had to seek stability throughout Europe and must not create "new areas of contention and mistrust," he said. His remarks were partly aimed at reassuring Russian military leaders, who are concerned about the expansion proposals.

President Boris Yeltsin, on recent visits to Warsaw and Prague, indicated that Russia had no objection if central European countries decided to join.

However, these remarks are widely viewed in Moscow to have been ill-considered. Senior Russian defence officials see any move to incorporate former Warsaw Pact members as premature. Such a move is seen as a potential provocation to political hardliners.

Dr Alexander Savelyev, vice-president of the Institute for National Security and Strategic Studies, said there were "powerful groups" within Russia who would not accept an eastwards expansion of Nato.

Mr Rifkind said there could be no question of seeking to isolate Russia.

"There is no strategy of encirclement and, if there were, the UK would have no part in it," Mr Rifkind assured his audience of Russian officers.

The January summit would have to consider the alliance's relations with all other European states, including Russia, he said.

NEWS IN BRIEF

Wörner cautious on Bosnia deployment

By Gillian Tett

LORD Owen and Mr Thorvald Stoltenberg, the international mediators, yesterday met Nato officials in Brussels to gather support for a Nato peacekeeping force in Bosnia.

But after meeting the mediators, Mr Manfred Wörner, Nato secretary-general, insisted that Nato would not send troops to Bosnia indefinitely and would need clear military goals before any deployment.

His comments came as the mediators warned that the peacekeepers could become involved in the fighting.

Although Nato has said it could deploy 50,000 peacekeepers, on top of the 15,000 UN protection forces already in the former Yugoslavia, no firm decision has been taken, and some alliance officials remain wary of engaging in a conflict which could potentially undermine Nato's credibility.

The Croatian government yesterday said it would ask UN peacekeepers to pull out of its territory when the UN mandate expires next week, unless the UN acknowledged Croat demands to disarm Serb forces in the republic.

Mining official named as Ukraine's prime minister

Ukrainian President Leonid Kravchuk appointed a conservative mining official, Yefim Zvyagilsky, as acting prime minister yesterday, a presidential spokesman said, Reuter reports from Kiev.

Mr Zvyagilsky, a proponent of increased state involvement in the economy, was appointed by presidential decree a day after parliament accepted the resignation of his predecessor, Leonid Kuchma.

Mr Kravchuk had hinted during parliamentary debate this week that he could name an acting premier, as President Boris Yeltsin did in Russia last year, to help speed introduction of economic reforms.

"This is not a final decision. Everything will depend on how events develop, especially on the date of new elections which parliament is to determine," presidential spokesman Volodymyr Shlyaposhnykov said.

Mr Zvyagilsky, 60, was a first deputy prime minister in Kuchma's outgoing government and a strong supporter of closer economic links with Russia. He was appointed to that post in June to satisfy the demands of striking coal miners.

East German property law comes under fire

By Judy Dempsey in Berlin

A DRAFT law on compensating former property owners in eastern Germany is unconstitutional and the entire question will have to be reconsidered, according to Mr Kurt Biedenkopf, prime minister of Saxony.

Biedenkopf: fuelling debate

The question of land compensation has plagued eastern Germany's five states for three years. Any further delay in resolving the dispute is likely to hold up investments in the states. Fewer than a quarter of the 1.2m claims on 2.63m titles have been resolved.

Mr Biedenkopf's comments are likely to fuel the debate on compensation in Bonn.

He said in an interview that "efforts to legislate compensation for expropriation in eastern Germany went against the wall of constitutionality" because all property was not being treated equally before the law.

Those who had property confiscated by the Nazis between 1933 and 1945, and by the Communists between 1949 and 1990 are entitled to full restitution and compensation. But those whose property was expropriated between 1945 and 1949, when eastern Germany was under Soviet jurisdiction, have no right to restitution and only limited compensation.

Mr Biedenkopf's criticisms of the draft legislation follows a special hearing of 70 lawyers and associations of the Bundestag's finance and legal committee. During last week's two-day hearing, there were faint hopes a bill setting out how to finance those whose property was confiscated would be accepted. But several lawyers said it was unconstitutional and may be referred to the Constitutional Court if the Bundestag passes the legislation.

The constitutional issue stems from the way compensation will be financed. The draft law states that those who have already got their property back must contribute to a special Compensation Fund totalling DM12.5bn (£5bn).

The amount they are required to pay is a third of the rateable value of land in 1935. In addition, depending on whether the property is land, a house, or a shop, this sum will be multiplied, in some cases by a factor of 10. After five years, the claimant must pay that sum to the Finance ministry, otherwise the property might be sold.

Those who have got their property back argue it is unfair they should be penalised by having to subsidise the compensation fund.

But those seeking compensation are just as angry. They are entitled to receive the maximum of DM350,000 in compensation, regardless of the current market value of their property. They argue that this is unconstitutional because property is not treated equally before the law.

Italy's judges are brought to book

The only surprise is that it has taken so long, writes **Robert Graham**

THE courts in Rome have been dubbed "the gateways to the mists". This is a euphemism for the way proceedings are manipulated to create a fog of confusion in any prosecution, so preventing the truth from emerging.

As a former chief prosecutor in Rome, Mr Claudio Vitalone has been long linked to some of the most notorious examples of obfuscation. He is now being investigated on charges of perjury that relate to the murkier aspects of the Italian judicial system and its manipulation by political masters.

That the investigative magistrates should get round to examining members of their own profession is not surprising in the current anti-corruption climate. The only surprise is that it has taken so long. Compliant judges have played an essential role in protecting the corrupt politicians and their friends from prosecution – including those in the Mafia.

So far this year an appeals court judge has been suspended because of suspected links with the Sicilian Mafia and at least three Naples judges have been suspended because of suspected links with organised crime. But the Vitalone case, more than any other, underlines the extent to which the separation of powers during Italy's discredited First Republic has become a fiction.

Mr Vitalone is accused of perjury in connection with the murder in 1979 of Mr Mino Pecorelli, the editor of OP, a magazine that specialised in inside information on the government and security services. His lawyers say he is innocent.

He is a close associate of Mr Giulio Andreotti, the former Christian Democrat prime minister, who faces charges of approving the Pecorelli murder. Mr Andreotti was questioned again on Tuesday about this murder. Rome magistrates allege Mr Pecorelli was killed by Mafia-sponsored hit-men because he knew too many secrets, including those surrounding the death of Mr Aldo Moro, the Christian Democrat premier kidnapped by Red Brigades terrorists.

Only days before Mr Pecorelli was murdered, Mr Vitalone helped organise a dinner during which the journalist was persuaded to replace OP's cover story, which contained scurrilous insinuations about Mr Andreotti's financial dealings. Both Mr Andreotti and Mr Vitalone are alleged to have been friendly with the Salvo cousins, prominent Sicilian businessmen linked to the Mafia, who are said to have organised the killing. Their connection with the now dead Salvo cousins is central to the magistrates' case.

> Mr Curto admitted receiving money for rigging the deal but said he had thrown the notes into a rubbish bin. The funds were traced to a Swiss bank account

The perjury charge, made last week, arose from magistrates cross-checking a statement of July 22 in which Mr Vitalone denied any connection with the Salvos and the Pecorelli murder.

Mr Vitalone is credited with having over-hastily closed the books on investigations into the 1970 abortive coup by Prince Valerio Borghese, as well as other cases such as the "Gladio" affair (right-wing elements in the armed forces and security services using the cover of secret Nato resources to destabilise the country). Mr Vitalone also played a prominent part in advising the government during the Moro kidnap – and the circumstances surrounding the negotiations with the late premier's kidnappers remain a mystery.

Backed by Mr Andreotti, he left judicial office to become a Christian Democrat senator in 1979. Subsequently Mr Andreotti chose him as his minister of foreign trade. The perjury charge came on the day the Higher Judicial Council (CSM) approved his return from politics to the judicial ranks. A majority of the 33-strong CSM agreed he could take up a post in the Florence public prosecutor's office, even though he was already under investigation for alleged corruption relating to aid to Albania. He and his lawyer brother Wilfredo are also contesting charges of fraudulent bankruptcy.

His readmission to judicial office has provoked such an outcry that the justice ministry has been obliged to seek a freeze on Mr Vitalone's posting. This in turn has thrown the spotlight on the composition of the CSM and the continued influence of the discredited traditional political parties over it. The likes of the investigative magistrates in Milan, who have done so much to inject a fresh energy and integrity into the judicial system, are by no means in the majority.

Only two weeks ago Mr Diego Curto, deputy head of the Milan courts, who has handled some of the most important financial cases of recent years, was arrested on charges of abuse of office and corruption. He is in prison, accused of receiving L400m (£166,000) for his part in the 1990 buy-out at an inflated price by Eni, the state oil company, of Ferruzzi-Montedison's stake in their joint chemicals venture, Enimont. Mr Curto admitted he had received money for rigging the deal but had thrown the notes into the rubbish bin. Last week the funds were traced to a Swiss bank account.

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WORLD ECONOMIC OUTLOOK

IMF urges reductions in interest rates across EC

By Peter Norman in Washington

INTEREST rates must be eased across Europe to halt recession and ensure recovery during 1994, the International Monetary Fund says.

In its latest World Economic Outlook, the IMF says that Europe needs a "mutually reinforcing process of economic recovery in which the restoration of confidence and rebound of activity in each country supports similar gains in the others."

The best way forward, the IMF argues, is through lowering interest rates.

A progressive easing of monetary conditions in those countries which are members of the European exchange rate mechanism would have positive effects on business and consumer confidence.

In its report, the International Monetary Fund does not conceal its disapproval of the way in which continental European countries have maintained what it sees as over-restrictive monetary policies during the past year because of their adherence to the European Monetary System..

Although couched in diplomatic language, the Outlook underlines the IMF's dislike of over-cautious interest rate reductions on the continent since the decision early in August to increase the fluctuation margins in the ERM to 15 per cent either side of central rates.

In a thinly-disguised attack on the policies of Germany's trading partners, the IMF warns that "to maintain excessively high real interest rates to avert some exchange rate depreciation in the short run would further delay recovery, increase the risk of additional fiscal policy slippages, fuel protectionist pressures and might even trigger larger speculative attacks that could lead to larger exchange rate adjustments."

The report said that financial markets had already produced "important evidence" that moderate but significant reductions in short-term European interest rates relative to those in Germany would cause only limited currency depreciations against the D-Mark.

Lower interest rates in the ERM countries would also benefit other continental European countries as well as the newly emerging market economies of eastern and central Europe and those African countries which have close trading ties with Europe, the IMF said.

West's budgetary trends unsustainable

By Peter Norman

CURRENT budgetary trends in many big industrialised countries are unsustainable, according to the IMF in its latest World Economic Outlook.

It warns that the overall budget deficit among industrialised countries is expected to reach 4.5 per cent of gross domestic product this year, about the same as the previous record in 1982.

In recent years public debt burdens have risen sharply and many countries have almost lost the ability to use fiscal policy as a tool to stabilise their economies.

According to the IMF: "Major additional efforts are necessary to achieve fiscal sustainability as well as broader economic objectives", such as the restoration of adequate national savings rates and higher growth.

The fund argues the large fiscal deficits "need to be addressed with a considerable degree of urgency". It says high real long-term interest rates and lacklustre growth can be traced back to high deficits.

Although the IMF acknowledges many countries have either proposed or adopted "significant deficit-reduction measures", it warns that most of these efforts "will not be sufficient to restore fiscal sustainability over the medium term".

Failure to reduce structural deficits during the growth years of the 1980s has made the job of governments more difficult. However, the IMF believes "gradual, but cumulatively substantial" deficit reductions are possible without jeopardising global economic recovery.

A brief survey of the leading industrial countries emphasises the problems, however.

- Achievement of the US administration's budget reduction efforts will still leave a deficit of 2.75 per cent of GDP in the 1998 fiscal year;
- Germany's deficit reduction plans are based on over-optimistic economic assumptions;
- Britain, France and Italy face structural budget deficits of respectively 3.5 per cent, 2 per cent and 5 per cent of GDP a year over the medium term.

The IMF says it is not sufficient to stabilise present levels of public debt to GDP: instead, governments should aim gradually to reduce debt ratios over time.

Such a goal is all the more necessary because measures of government indebtedness understate the extent of the problem. The IMF says government debt figures do not include future entitlements to pensions in public pension schemes.

It warns that it will be necessary for countries either to increase borrowing or taxes when social insurance assets are drawn down to fulfil pension obligations.

Unemployment is also taking a fiscal toll on the industrialised world.

The fund estimates that unemployment benefits accounted for 3.5 per cent of total government spending in the industrial countries in 1991. They have since risen with the lengthening of dole queues.

Uncertain prospects for a world recovery

Peter Norman on the latest mixed outlook for economic growth

THE world economy will register its fourth successive year of inadequate growth in 1993 and the prospects for recovery next year are uncertain, the latest World Economic Outlook from the International Monetary Fund makes clear.

The Fund expects economic growth in the industrialised countries to weaken this year to 1.1 per cent, from an already modest 1.7 per cent in 1992. Although the IMF forecasts that growth in the industrialised world will recover to 2.2 per cent next year, it warns that the strength and timing of the pick-up remain unclear.

It is only because of strong growth in the developing world that the IMF has left its 1993 forecast for world economic growth unchanged, at 2.2 per cent, since its last Economic Outlook at the end of April. It has revised down by just 0.2 percentage points, to 3.2 per cent, its forecast for global growth next year, reflecting expectations of continued robust growth in Asia, parts of the Middle East and much of Latin America.

But the Fund is now far gloomier about economic prospects in Japan and France than it was five months ago.

Unemployment has risen to 'intolerable levels'

In Japan, recent indicators suggest that recovery stalled in the spring. In Europe, recovery is unlikely to begin before late 1993 or early 1994, while growth in north America is weaker than expected.

Unemployment has risen to "intolerable levels" in industrial countries, the IMF says. At over 32m, the number of jobless in the industrial countries this year will be equivalent to the working-age populations of Sweden and Spain combined.

Excess capacity in all Group of Seven countries except the US is higher than in the recession of the early 1980s. The upshot is likely to be moderate inflation but higher unemployment, especially in Europe, and increased protectionist pressures.

However, the IMF has scaled up its expectations of growth in the developing world by one percentage point this year and 0.4 points in 1994 to 6.1 per cent and 5.5 per cent respectively. Growth in Asia is forecast to be 8.7 per cent this year (some two percentage points higher than forecast in May) and 7.1 per cent in 1994.

The IMF expects developing country imports will increase by 9 per cent in both this year and next after 10 per cent a year in 1991 and 1992.

Those developing countries with successful, market-oriented economic policies and high domestic savings tend to be growing more than others.

The Fund says two factors lie behind the feeble recovery in the industrialised world. There has been a painful adjustment to the asset price inflation of the late 1980s in North America, the UK, Australia and now Japan. In Europe, the consequences of German unification and the slow progress on cutting interest rates by countries in the exchange rate mechanism have delayed recovery.

But the IMF believes there is some reason for cautious optimism that the world economy will gradually strengthen. It hopes countries will pursue policies to reduce their fiscal deficits, providing scope for monetary policy to be relaxed and give temporary support to activity, especially in Europe.

The three Japanese fiscal packages since December last year should help support activity in Japan over the rest of this year and in 1994, it says.

OVERVIEW OF THE WORLD ECONOMIC OUTLOOK PROJECTIONS

(Annual per cent change unless otherwise noted)

			Current projections		Differences from May 93 projections	
	1991	1992	1993	1994	1993	1994
World output	0.6	1.7	2.2	3.2	-	-0.2
Industrial countries	0.5	1.7	1.1	2.2	-0.6	-0.7
United States	-0.7	2.6	2.7	2.6	-0.6	-0.7
Japan	4.0	1.3	-0.1	2.0	-1.4	-1.5
Germany	1.7	1.9	-1.6	1.2	-0.3	-0.4
France	0.7	1.4	-1.0	1.1	-1.0	-1.1
Italy	1.3	0.9	0.3	1.7	-	-0.2
United Kingdom	-2.2	-0.5	1.8	2.8	0.3	-0.3
Canada	-1.7	0.7	2.6	3.8	-0.6	-0.6
Seven countries above	0.4	1.8	1.3	2.3	-0.6	-0.8
Other industrial countries	0.8	0.9	-	1.7	-0.5	-0.4
European Community	0.8	1.1	-0.2	1.6	-0.3	-0.5
West Germany	4.5	1.6	-2.2	0.8	-0.3	-0.3
Developing countries	4.5	5.8	6.1	5.5	1.0	0.4
Africa	1.6	0.4	1.6	2.6	-1.1	-1.3
Asia	6.1	7.8	8.7	7.1	2.0	0.4
Middle East and Europe	2.4	7.8	3.4	4.6	-1.6	1.1
Western hemisphere	3.3	2.5	3.4	3.5	1.1	0.8
Countries in transition	-12.0	-15.4	-10.2	-1.1	-1.4	0.5
Central Europe	12.6	-9.1	-1.8	1.9	-0.3	-0.8
Former USSR	-11.8	-17.8	-13.7	-2.4	-1.9	1.1

Source IMF

UK 'must strive to reduce deficit'

By Peter Norman

BRITAIN will have to make further efforts to cut its budget deficit in addition to the tax increases and public spending restraint already planned for 1994-1995, the International Monetary Fund warns.

In its latest World Economic Outlook, it says that the structural part of the budget deficit (that part not caused by recession) has increased sharply to about 5 per cent of gross domestic product this year.

Although the Fund expects the structural deficit to fall "significantly" next year, because of budget measures already decided, it is expected to average about 3.5 per cent of GDP over the medium term.

The IMF pinpoints the rise in public spending as a share of GDP from 38 per cent to 44 per cent over the past four years as a cause of the UK's structural budget problem.

Mr Michael Mussa, the IMF's chief economist and head of its research department, said yesterday that Britain should reduce it deficit by action on both the spending and the revenue sides of the budget.

In spite of the deficit worries, the IMF is more bullish about the UK's current economic performance than it was when it published its last Economic Outlook at the end of April. Britain is the only G7 country for which the IMF has revised upwards its growth forecast for this year.

The Fund now expects growth in the UK to be 1.8 per cent this year, against expectations of 1.4 per cent growth in the spring.

It says that the lowering of interest rates and improved competitiveness that followed the decision to float sterling a year ago helped turn an incipient recovery into a moderate expansion.

As the recovery gains momentum, growth is expected to rise to 2.8 per cent next year. This, however, will be a slightly less buoyant performance than the 3.1 per cent growth forecast for 1994 at the end of April.

US holds back IDA tranche

By George Graham in Washington

A KEY congressional committee has withheld full authorisation for the $3.75bn US contribution to the International Development Association, the World Bank unit that provides loans at low interest rates to the poorest developing countries.

The House of Representatives banking committee voted yesterday to allow the US to sign the IDA replenishment agreement reached last year, but to authorise only the first two $1.25bn tranches of the US contribution. This limited authorisation follows protracted talks with the US treasury and the World Bank.

Both Treasury and World Bank officials had hoped recent changes in portfolio management and disclosure policy would be enough to win a full three-year authorisation.

The bill would also authorise the US to write off developing country debts.

Clinton calls last ditch talks over healthcare bill

By George Graham

PRESIDENT Bill Clinton called leaders of both parties to the White House yesterday, for a final discussion on healthcare reform before he unveiled his proposals in a speech to both houses of Congress last night.

Both Mr Clinton and his wife Hillary, who has headed the White House healthcare task force, have spent the last week expressing readiness to compromise on virtually all aspects of their proposal.

And despite months of planning, many details of the programme, particularly how it will be paid for, have still not been determined. Legislative texts are not expected to be sent to Congress until the beginning of next month, and even the most optimistic do not expect the reform to be passed before next spring.

Mrs Hillary Clinton this week set a still more modest timetable, predicting only that a bill would be ready to sign into law within a year.

This would be perilously close to next year's congressional elections and could endanger the spirit of compromise now prevailing between the political parties.

The core of Mr Clinton's plan is the promise of universally guaranteed health insurance by the end of 1997. But Mrs Clinton this week said she would be "open to talk about" a slower phase-in of universal coverage.

Most people would be enrolled in "health alliances" which would broker a limited range of government-regulated health plans for members.

All employers would have to pay 80 per cent of premiums for their workers, although premiums would be subsidised for small companies. The plan envisages spending $160bn over the next seven years on these employer subsidies, $80bn to expand coverage of long term care and $72bn to pay for prescription drugs under the Medicare programme for the elderly.

Offsetting this, Mr Clinton hopes to save $285bn on existing government health programmes such as Medicare and Medicaid, and to raise $105bn from "sin taxes", mostly from an increased tobacco tax, although the precise details have still not been fixed.

The US public is still uncertain and divided about healthcare reform. A recent Gallup poll showed that while 70 per cent of those questioned were satisfied with their own coverage, 90 per cent believed US healthcare was in crisis.

While the health insurance industry has launched advertisements attacking the plan, Mr Clinton has won important support in the last week from trade unions and doctors.

Aspiring doctors are undeterred

By Lisa Bransten in Washington

MEDICAL school applications in the US reached a record high this year, despite the uncertain effects healthcare reform will have on the lives of doctors. "It has made sure that people are doing it for other reasons than to make a lot of money," said Mr Brian Nelson, a medical student at the George Washington University School of Medicine.

With the University of California, San Francisco, receiving 5,100 applications last year for 140 medical school places, other reasons are clearly abundant. The attraction may be job security.

The push towards "managed care", whereby doctors would form networks to compete for business, is likely to reduce salaries. At the same time the Clinton administration hopes to increase the number of students entering general medicine to 50 per cent within five years. In 1992 just 15 per cent of medical students chose primary care specialties, with salary differentials the main reason for the low take-up.

A GP makes an average of $111,500 a year, while a specialist averages $233,500.

IOC team ready to award biggest prize

Lobbyists stalk the Olympics committee like exotic game, writes Keith Wheatley

MEMBERS of the International Olympic Committee know what it is to be hunted. In the lobbies and corridors of Monaco's five-star hotels they are stalked by representatives of bidding cities like rare and exotic game.

On the eve of the IOC's decision tonight on the choice of city for the 2000 Olympics, the chairman of one city's campaign yesterday described the IOC members as "in purdah". The ballot of these 91 individuals will award a prize worth billions of dollars and immeasurable international prestige.

Even the appearance of a member such as Panama's Mr Virgilio de Leon, at 74 only one year from mandatory retirement, can signal the instant arrival of eight or nine eager Beijing publicists, piling in like a rugby scrum at a ruck. Cities such as Manchester or Sydney may be more discreet in their wooing but the thrust of effort is the same.

When Greg Norman won the Open golf championship, the Sydney campaign quickly put signed photographs of the Australian golfer in the post to every IOC member known to enjoy 18 holes.

As a group the IOC is predominantly white, elderly, male and from the Old World. A total of 38 members are from Europe, only four of them women. Of these two are princesses, the Princess Royal from Britain and Princess Nora of Liechtenstein.

Other royal members include the Grand Duke of Luxembourg and Prince Albert of Monaco. Membership of the IOC is by invitation and then election by the full membership. At the Barcelona games 170 countries took part but fewer than half of these had nationals on the IOC.

It is often said to be the best and most exclusive club in the world. Members travel first class to their many meetings and conferences and stay free of charge in the world's best hotels.

Even 20 years ago it was very different. "When I first became a member we paid all our own expenses and it was often difficult to afford to attend different events," said Prince Alexandre de Merode of Belgium, who has been the spearhead of the IOC's campaign against drugtaking.

The executive board, the powerhouse of the IOC, is headed by Mr Juan Antonio Samaranch, the retired Spanish diplomat, who is its president. His key lieutenants are businessmen.

Mr Richard Pound, 51, is a punchy Montreal lawyer and former Olympic swimmer. His marketing expertise and skilled negotiation of television rights have brought the IOC's finances from penury to assets of $125m in the past decade.

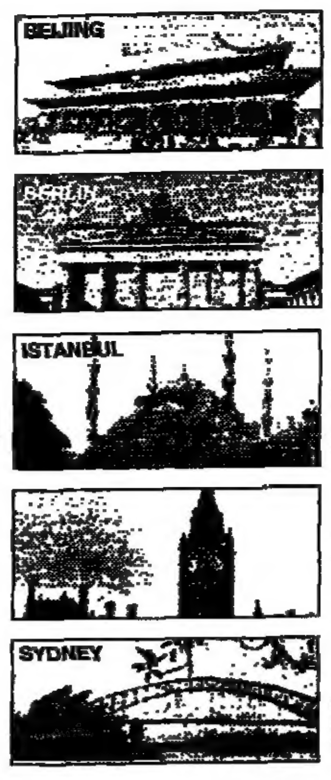
Mr Kevan Gosper, an Australian oil executive, is another vice-president with a professional background. Ten years older than Mr Pound, he may have missed his chance to succeed Samaranch, but his egalitarian style has been crucial in changing the IOC's approach to the world.

This meritocracy within an anachronistic elite is reinforced by the distinguished presence of Mr Keba Mbaye, a retired Senegalese judge and international jurist. Mr Justice Mbaye has enormous influence within the IOC and was pivotal in the process which led to South Africa being readmitted to the Olympics.

His undoubted probity has also been important in the IOC reforming dubious aspects of the bidding process. During the 1980s, candidate cities notoriously handed out gifts such as fur coats and expensive jewellery to IOC members and their wives. Air tickets to inspect facilities were routed through the most exotic, out-of-the-way locations.

These kind of excesses, harshly criticised both by outsiders and such insiders as the Princess Royal, have disappeared. But a waitress at a Manchester bid reception, heaping smoked salmon on to the IOC plates, was still able to observe: "If there is reincarnation. I want to come back as part of the IOC."

The Olympic runners and their form



FOR / **AGAINST**

Beijing — For: ● China becomes fully part of international community ● Vast marketing potential for sponsors. Against: ● Human rights record ● Renewed doubts about national stability post-Deng

Berlin — For: ● Strong capable organisation ● Symbol of a reunited Europe. Against: ● Vociferous opposition to Olympics within the city

Istanbul — For: ● Neutral ground between Europe and Asia ● First Olympics to Moslem world. Against: ● Poor city infrastructre ● Politically unstable with Kurd nationalists referring to the city as "a war zone"

Manchester — For: ● British tradition within international sport ● Strong central government backing. Against: ● Short on glamour ● Everybody's second choice

Sydney — For: ● Climate ● Excellent facilities. Against: ● Lack of market potential for sponsors ● Distance to travel ● Poor time-zone for television

Israelis urged to reach deal with Syrians

By Roger Matthews, Middle East Editor

PRESIDENT Hosni Mubarak of Egypt yesterday urged Israel to press ahead swiftly to secure a peace deal with Syria. After three hours of talks in Alexandria with President Hafez al-Assad of Syria, Mr Mubarak said such progress could be vital to keep up momentum for peace in the region.

The Egyptian leader said he took issue with Mr Yitzhak Rabin, Israel's prime minister, on the pace of negotiations. It was wrong, he said, just to concentrate on the outline agreement between Israel and the Palestine Liberation Organisation.

He warned that the complex deal between Israel and the PLO was at such an early stage that it would be a mistake to wait for it to produce results before pressing on with the rest of the peace process.

Mr Rabin was reported to have told Mr Mubarak at the weekend that he preferred to allow the Israeli public time to digest the contents of the agreement with the PLO before seeking to clinch a deal with Syria. Mr Assad is demanding that Israel must hand back all of the Golan Heights, captured in the 1967 war, before he will agree to a peace treaty.

The Syrian leader said yesterday there had been no progress in the bilateral negotiations with Israel, although all points were open to debate. He has also made little effort to hide his anger at Mr Yassir Arafat, PLO chairman, for reneging on a promise to maintain a common Arab front in negotiations with Israel.

While Mr Assad has said he will not openly oppose the PLO deal, he will do nothing to check dissension within the Palestinian community. Arab diplomats said yesterday that future negotiations of the outline PLO-Israel agreement would stand a substantially better chance of success if Syria understood that Israel was willing to return the Golan Heights.

The heated debate in the Israeli parliament continued yesterday on the terms of the Palestinian deal, with the final vote expected today.

Corporate bribe structure starts to crack

Robert Thomson on changed relations between Japan's politicians and contractors

WHEN a television microphone was rammed in his face and reporters pursued his black limousine down a Tokyo back street, Mr Teruzo Yoshino, the patriarch of Japan's construction industry, must have sensed that he was falling from grace.

The end of courtesy in Japan means the beginning of trouble for accused politicians and executives, guilty or not, as associates and journalists are indicating that they no longer feel compelled to cultivate a long-term friendship.

By arresting the venerable Mr Yoshino, 75, head of the Japan Federation of Construction Contractors and chairman of Shimizu, the country's leading construction company, the prosecutors' office is attempting to alter the terms of a most important friendship, that between the politician and the contractor.

Mr Yoshino, taken into custody on Monday, and two other Shimizu executives arrested yesterday – Mr Hirokuki Koyama, a vice-chairman, and Mr Akikazu Matsumoto, a managing director – are claimed to have given Y10m (£63,000) to Mr Fujio Takeuchi, former governor of Ibaraki prefecture north of Tokyo. This was in the alleged hope that their company would win a share of a planned prefectural complex and medical university.

Before a rush of arrests over the past year, most Japanese were aware that politicians and contractors had stitched together unsavoury deals. Politicians provided the projects and the construction companies ensured their local member had cash to cope with an expensive election campaign.

But the prosecutors' office was surprised by the depth of personal corruption uncovered during investigations. Tolerance of illegal links was based on an understanding that, a few banquets aside, most contractors' money went on political fighting funds and not into personal bank accounts.

Not that Mr Yoshino was guilty of excess, nor necessarily of anything else, though the Construction Ministry has already suspended Shimizu from bidding for public works contracts for four months. "I would never do anything as silly as attempt to bribe someone," insisted Mr Yoshino shortly before his detention.

> Most Japanese were aware that the politicians and contractors had been stitching together unsavoury deals

Wedged between two investigators, Mr Yoshino, without the dignity of a tie, was driven to the Tokyo Detention Centre and took with him the reputation of Japan's construction industry, allegedly corrupt in its collusion and competition to win contracts.

US criticism of Japan's construction market has been aimed at the collusion embodied in *dango*, the cartels which traditionally organised the outcome of contract awards. But the 18 arrests arising from alleged corruption in prefectures north of Tokyo can be traced to the breakdown of industry collusion and the outbreak of fierce competition.

Leading contractors admit to courting Mr Takeuchi, who resigned as Ibaraki's governor after having been charged with receiving Y55m in bribes. Mr Yoshino, who went to the same high school as Mr Takeuchi, says he visited Ibaraki after learning that executives from rival companies had done the same in the hope of winning contracts.

The executives were right to respect the influence of Mr Takeuchi, who is said to have informed officials presiding over contract awards that "I met Mr X of Y company and he is a wonderful guy". Prosecutors have leaked details of restaurant dinners at which an empty shopping bag was allegedly left behind for a contractor to pay financial tribute to the then governor.

By targeting Mr Yoshino, the prosecutors were suggesting that the pre-bid bidding for the Ibaraki governor's favours was a national trend which had to be stopped. The prosecutors judged that a lower-profile investigation into lesser officials would not have the necessary impact on politicians or their contractor friends.

Having struck at Shimizu, the prosecutors are concentrating on two other leading companies. The campaign is directed more at a corporate culture than at individuals, but companies are often quick to disown executives taken into custody.

As Mr Yoshino knows, regardless of his guilt, the next stage of his fall will come if the company suggests that he acted alone and that it "regrets" the incident. Shimizu is still defending the chairman: "We had conducted an internal investigation into the bribery allegations and we cannot believe that they are true."

Industry specialists said Shimizu, which receives just under a fifth of its total orders from the public sector, could miss out on contracts worth as much as Y100bn. However, that figure does not include potential losses from private clients now unwilling to hire the company.

The arrest of the Shimizu executives puts added pressure on the Construction Ministry to devise a bidding process for public works projects that gives value for money and ensures fairer competition. US officials want an end to a system in which bidders are designated by government officials, who are supposed to use technical competence, safety records and financial health, not conviviality, as their guide.

The Construction Ministry says the designated system ensures that only qualified companies compete for projects, but it has never made clear how companies are assessed, making the system prone to abuse. If the prosecutors have their way, the ministry will be more open about the designation process and less open to overtures from politicians.

Pakistan to seek $2.6bn from donors

By Farhan Bokhari in Islamabad

MR Babar Ali, Pakistan's finance minister, is due to meet representatives of donor countries in Washington on Monday to seek up to $2.6bn (£1.7bn) in fresh commitments.

The meeting is a substitute for this year's annual aid-to-Pakistan consortium meeting which was originally scheduled to be held in Paris. That meeting had to be cancelled twice because of the country's political upheavals. A general election is due on October 6.

In recent months some Pakistani officials have been worried that a request by a short-term unelected government would be to Islamabad's disadvantage. "Donors may question whether policies will remain intact after the October elections when a new government comes to office," said one.

However, recent economic reforms by the government of Mr Moeen Qureshi, the interim prime minister, have largely been welcomed by donors, western economists in Islamabad say. Among the reforms are government commitments to reduce a chronic budgetary deficit, increase spending on the social sector and reduce tariffs over the next four years.

Mr Qureshi has also said recently that he had received assurances from Mr Nawaz Sharif and Ms Benazir Bhutto, the two main prime ministerial contenders, that his government's policies will not be reversed. In addition, the IMF has agreed to provide up to $377m in standby credits, under a recently negotiated deal. That move is expected to strengthen Pakistan's case with its donors, officials add.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, accompanied by President Jiang Zemin of China, reviews a guard of honour in Beijing at the start of a three-day visit

Reuter

Optimism over growth

Israel looks to peace dividend

By Julian Ozanne in Jerusalem

MR Avraham Shochat, Israel's finance minister, predicts the Israeli economy will grow by 4 per cent a year over the next five years but could expand considerably more if the economic dividends of peace come through.

In an interview with the Financial Times, Mr Shochat said latest government figures showed economic growth for 1993 at 4 per cent after last year's record growth of 6.9 per cent. The government, he said, had successfully tackled the twin problems of unemployment and inflation, with both expected to drop into single digits early next year.

Nearly 90,000 jobs will have been created by the end of the year, he said.

Mr Shochat, who took over the Finance Ministry after last year's Labour election victory, said the government was committed to rolling back further state intervention in the economy through continued privatisation and cuts in public borrowing through budget deficit reduction.

The sale of the country's government-owned banks, already under way, would be completed by early 1995, Mr Shochat said, earning the Treasury $5bn (£3.26bn) which would cover the budget deficit and leave the money markets open to the private sector. Trade barriers would continue to be cut back as the Israeli economy was opened to greater foreign competition.

The government, he said, had been considerably helped, especially in its expanded infrastructure programme, by the $10bn US loan guarantees.

Mr Aharon Foegel, the ministry's director general, was yesterday concluding negotiations with a consortium of New York banks led by Salomon Brothers on the second tranche for 1993, of $1bn.

"If you take the reduction in unemployment, increase in industrial exports of 12 per cent, firm growth and good investment in industry, the performance of the economy is looking good," said Mr Shochat, who leaves Israel tomorrow to attend the World Bank and International Monetary Fund meetings in Washington.

He said economic performance could be even better if a comprehensive peace accord with Arab states was reached. In the short term, Israel's economy would benefit from the huge external aid package planned for the Gaza Strip and West Bank, particularly in the supply of construction materials. An immediate benefit to the economy would be a rise in tourists, now 2m a year.

In the longer term Israel could benefit from foreign investment, the relocation of headquarters of multinational companies to Israel, and trade with Arab states especially in Israeli exports such as irrigation equipment and electricity and communications goods.

Mr Shochat said a team in the ministry was busy preparing to implement the economic aspects of the Israeli-Palestinian peace agreement. But he said it was important the Palestinians adopt a harmonised tax, excise and customs policy with Israel. "If there is no harmonisation of taxes and customs we will have to put restrictive controls at the border," Mr Shochat said.

Three Swedes set free by Iraqis after a year

By Hugh Carnegy in Stockholm

IRAQ yesterday unexpectedly freed three Swedes who were among at least 10 foreign nationals held in Iraqi jails for entering the country illegally.

The three were arrested on September 3 last year after straying across the border from Kuwait where they were working for Ericsson, the Swedish telecommunications company, on a contract for the Kuwaiti government to repair radio base stations. They were given seven-year jail terms.

Mr Carl Bildt, the Swedish prime minister, welcomed news of their release but declined any further comment. Officials refused to answer questions on whether a deal had been struck with the government of President Saddam Hussein for the men's freedom.

Sweden has supplied three tranches of humanitarian aid to Iraq since the men were arrested. The latest, worth SKr50m (£4m), was announced in June. But Sweden's only diplomatic presence in Baghdad since last September has been two officials working on the case of the Ericsson men.

The release of the three – Mr Stefan Wihlborg, Mr Leif Westberg and Mr Christer Stromgren – will raise hopes for the other foreigners held on similar charges, including three Britons. Ericsson said the three Swedes were treated well during their imprisonment.

SA parliament to vote on transitional body today

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S parliament is due to vote today on legislation to end exclusive white rule, against a background of mounting political violence including two massacres on Tuesday night which left at least 30 blacks dead.

Parliament is expected to approve the Transitional Executive Council bill, which will set up a multi-racial advisory council to oversee the transition to democratic elections next April.

MPs from the ultra-right Conservative party disrupted parliament yesterday, and several were suspended, but the party does not command sufficient votes to block the legislation unless MPs of the ruling National party rebel.

Passage of the bill is the key to lifting remaining international economic sanctions against South Africa. Mr Nelson Mandela, African National Congress president, is expected to react to the bill's passage by calling for remaining non-military sanctions to be lifted when he addresses the United Nations Special Committee Against Apartheid in New York tomorrow.

Mr Mandela, President F.W. de Klerk and other black and white leaders are launching a drive in the US to attract business and investment to South Africa.

Passage of the bill will not immediately bring the Transitional Executive into existence, however: the bill will not be promulgated – and thus will have no force – until agreement has been reached on a new constitution, a process which could still take months.

Tension remained high in the black townships of Thokoza and Katlehong, where most of those killed in recent violence have died. Roads were barricaded and officials of the Inkatha Freedom Party were attacked by residents after one of the massacres on Tuesday when gunman shooting at random on a nearby highway killed 18 people.

NEWS: WORLD TRADE

Juggling with gelignite in farm trade forum

David Marsh and **Lionel Barber** on the risky search for a US-French compromise on Blair House

EFFORTS to find a compromise between the US and France over farm trade are fraught with even greater complexity and risk than last year's EC attempts to reverse Denmark's rejection of the Maastricht treaty.

Politicians said that solving the Danish puzzle was like "multi-dimensional chess". Finding a way out of the farm impasse is like chess and juggling with gelignite.

In the Maastricht negotiations the EC found a face-saving deal to meet Denmark's demand for exemptions from European union, without causing the entire treaty to be renegotiated.

In the bid to bridge the agricultural gap between Washington and Paris, US and EC officials face a still more arduous task.

They have to deliver an agreement which meets the US desire to avoid reopening the EC-US Blair House farm trade accord reached last November. But they must also fulfil the Paris government's aim of modifying the accord's undertaking for a 21 per cent cut in the volume of subsidised EC food exports over six years.

Unless the imbroglio can be solved, hopes for clinching a Uruguay Round accord by the December 15 dealine will crumble – bringing closer the prospect of an international trade war.

All participants in the negotiations realise that some of the chief protagonists' recent hard-line announcements, including the sparring this week in Brussels, involve a degree of posturing. The difficulty is knowing whether, and where, the US and French sides will show a willingness to make concessions.

One insider to the talks said yesterday that a statement on Tuesday by Mr Mickey Kantor, US trade representative, ruling out modifications to Blair House, was predictable. Mr Kantor, who meets Sir Leon Brittan, the EC's chief trade negotiator, in Washington on Monday, would not reveal his full hand until later, the official said.

"They're keeping it for the end-game," he added. "We don't know yet the French bottom line. We have a lot of teasing out to do."

On Monday night in Brussels, Sir Leon staved off French efforts to change his negotiating mandate with Mr Kantor. But this was at the expense of a row with Mr Alain Juppé, the French foreign minister, and rekindled French fears that the UK commissioner is a free-trader who is too close to the UK and US.

German officials spent much of Monday night's meeting trying to mediate between the French and their EC partners. But one German official yesterday voiced concerns that Sir Leon's confrontation could affect French attitudes toward the final Gatt settlement, which requires unanimous approval by the EC.

"He [Sir Leon] was good," said one senior German official yesterday, "but maybe he was too good."

On the other hand, if Sir Leon can successfully promote a US-French deal the prospect – at present, rather thin – of pulling off his ambition to succeed Mr Jacques Delors as the next EC Commission president would improve dramatically.

The apparent gulf between US and French attitudes has been increased by intensely political considerations. The US seems fundamentally to mistrust the content of EC Common Agricultural Policy reforms, designed to cut prices and production during the 1990s.

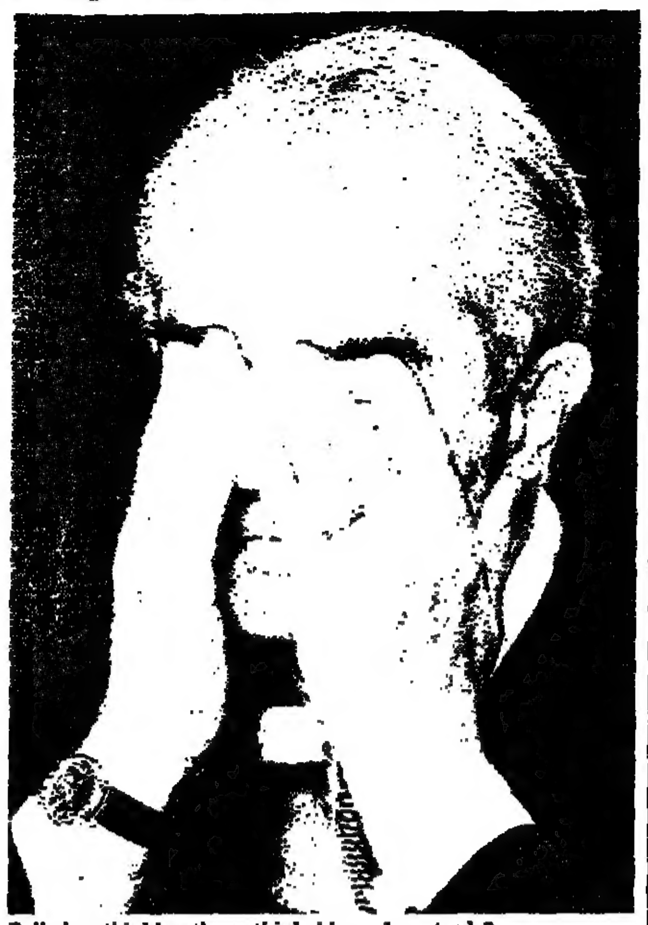
And after France's monetary humiliation last month at the hands of the German Bundesbank and Anglo-Saxon "speculators", Mr Edouard Balladur, the French prime minister, badly wants to avoid the spectacle of a climb-down to US farming interests.

Experts believe there is the possibility, in some important technical areas, of adding to the Blair House agreement a series of points to meet France's desire to protect its interests.

For instance, the US could clarify whether EC food stocks should be considered part of the accord's export cuts, and could also agree a "peace clause" ruling out unilateral action against the EC's farm export regime.

Since the US already feels the EC got the better of the Blair House compromise, room for manoeuvre is constrained. The next few weeks will show whether there is enough left for all sides in the farm trade conundrum to declare themselves – however implausibly – the winners.

A failure to conclude the Uruguay Round would undermine the multilateral trading system and prospects for sustained economic recovery and provide increased impetus to unilateral solutions of trade disputes, the International Monetary Fund warned yesterday. In its latest World Economic Outlook, the IMF said little progress has been made in dismantling managed trade arrangements.



Balladur: thinking the unthinkable on farm trade? Trevor Humphries

US upset at Japan chip market share

By Michiyo Nakamoto in Tokyo

US semiconductor industry and trade officials yesterday expressed dismay at a fall in the foreign share of Japan's semiconductor market below the 20 per cent annual target level which Washington has laid so much store by.

"We are extremely concerned about this negative trend in the market share," Mr Mickey Kantor, US Trade Representative said.

His remarks came after the two governments released the foreign share of Japan's semiconductor market in the second quarter of this year. The US calculations showed a fall to 19.2 per cent.

The second-quarter figure represents a decline of 1 percentage point from the 20.2 per cent market share taken by US and other foreign companies in the fourth quarter of 1993 and follows a decline to 19.6 per cent in the first quarter of this year.

Japanese officials, however, use a different calculating method which showed the foreign share to be at 21.6 per cent.

Mr Andrew A Procassini, president of the US Semiconductor Industry Association, reacted to the results with strong words. "Japan's commitment to create a more open semiconductor market remains unfulfilled," Mr Procassini said.

Japanese officials, however, expressed satisfaction with the results which show that "access to the Japanese semiconductor market has improved," said Mr Hidehiko Yoshida, senior vice president of Toshiba and chairman of the Users Committee of Foreign Semiconductors of the Electronics Industry Association of Japan.

In the fourth quarter of 1992, the foreign share surged to 20.2 per cent from 15.9 per cent in the third quarter, leading US trade officials to hail the US-Japan semiconductor accord as a model which could be adopted in other sectors.

UK may earn £1bn in Malaysia deals

By Kieran Cooke in Kuala Lumpur

BRITISH COMPANIES are negotiating contracts worth up to £1bn ($1.54bn) in Malaysia which could secure 25,000 jobs in the UK, Mr John Major announced yesterday.

Speaking in Kuala Lumpur before flying to Monte Carlo, the prime minister said British companies had won a number of multi-million pound projects, ranging from airport construction to bus manufacturing, and were involved in "potentially hundreds of millions of pounds worth of contracts".

During visits to Japan and Malaysia Mr Major had been unable to escape domestic political concerns, and it was with obvious relief that he was able to announce substantial overseas contracts for British companies.

- British Gas and Genting Sanyen of Malaysia are to build a 720MW power station under the country's electricity privatisation programme. The total cost of the project is put at £550m. British Gas will take a 20 per cent equity stake in the project.
- An Anglo-Japanese consortium made up of Trafalgar House, Balfour Beatty, Gammon, G-Mats (part of GEC) and Marubeni of Japan have signed a memorandum of understanding for the development and project management of a new international airport for Kuala Lumpur.

The total cost of the project is put at M$13.5bn ($5.3bn). Those involved say British companies are well placed to win hundreds of millions of pounds worth of contracts for work on the airport.

Trafalgar House is also to invest about £13m in a steel fabrication plant in Malaysia.

- The engineering company John Brown, part of the Trafalgar House group, has won a £120m turnkey contract to build a 330MW power station on the outskirts of Kuala Lumpur.

John Brown is already involved in the construction of a 220MW power plant in the south of Malaysia.

- Dennis, the British heavy vehicle and bus manufacturer, is forming a joint venture to manufacture its vehicles in Malaysia.

Lord Prior, GEC chairman and head of a British trade delegation that accompanied Mr Major in Malaysia, said he felt the prime minster had underestimated the potential gain for British companies from the contracts.

US cigarette law attacked as illegal

By Frances Williams in Geneva

NEW US legislation requiring cigarette manufacturers to use no more than 25 per cent imported tobacco was yesterday strongly attacked by tobacco exporting nations in the General Agreement on Tariffs and Trade.

They claim that the provision, signed into law in August as part of the US Budget Reconciliation Act, violates Gatt rules forbidding countries to stipulate the local content of domestic production and will have a severe impact on tobacco exports to the American market.

The complaint was brought to yesterday's meeting of Gatt's governing council by Brazil on behalf of Colombia, El Salvador, Guatemala, Thailand, Venezuela and Zimbabwe, and was supported by Chile, Argentina and Canada. The EC, the Association of South East Asian Nations (Asean) and Australia also expressed concern.

The US said it would hold formal consultations with its critics next week. This marks the first step in Gatt's formal disputes procedure, which could eventually lead to the establishment of an independent panel inquiry.

The law was inspired by Senator Wendell Ford, a Democrat who represents the tobacco growing state of Kentucky, as part of the horse-trading which allowed President Bill Clinton's budget plan to squeak through Congress.

Earlier yesterday the Gatt council agreed to set up a disputes panel to examine Chile's complaint over the EC's licensing and surveillance system for imported apples.

Airbus in talks over 25 aircraft for Libya

LIBYAN Arab Airlines is negotiating to buy 25 aircraft from Airbus Industrie, the European consortium, the official Libyan news agency Jana said yesterday, Reuter reports from Tunis.

Representatives of the two companies, meeting in Tripoli for the second successive day, agreed on the types of aircraft and delivery dates, it said.

Airbus might also take part in what Jana called "a joint investment programme to set up maintenance hangars, auxiliary workshops and flight simulators as a technical service centre for this type of aircraft in North Africa and the Middle East".

International flights to and from Libya have been banned by UN resolution since April last year following alleged Libyan involvement in the blowing up of a Pan Am jet over Lockerbie, Scotland, in 1988.

NEWS: UK

Devaluation cuts UK's trade deficit

By Peter Marsh, Economics Correspondent

IMPROVED competitiveness linked to sterling's devaluation pushed the UK's trade deficit with countries outside the European Community to its lowest level for nearly three years, government figures showed yesterday.

Non-EC exports last month rose to a record high in value terms, while the value of imports was the lowest since January.

The figures strengthen the probability that the trade deficit with the whole world for 1993 will be substantially lower than the £21bn estimated by the Treasury in its last official forecast in March. Last year the whole-world trade deficit was £13.4bn.

Monthly trade figures for the EC will not be available until later this year because of the introduction of a new statistical system. Non-EC trade accounts for about 40 per cent of all UK exports and imports.

The excess of UK imports over exports in August for non-EC nations came to a seasonally adjusted £570m, after £698m in July. The value of exports last month was £4.87bn, 1.5 per cent up on July, while imports fell 1 per cent on the month to £5.44bn.

In underlying volume terms, exports in the three months to the end of August rose 4 per cent on the previous three months. Over the same period, underlying import volumes were flat. These underlying measures strip out price movements and also exclude trade in oil and erratic items such as ships, aircraft and gems.

The figures suggest the pound's downward movement since Britain left the exchange rate mechanism a year ago has aided exporters. It appears imports have been kept down by a combination of weak domestic demand and increased consumption of UK-made goods. Yesterday's Central Statistical Office data follow an improved trend for the trade deficit since the end of last year.

The UK continued to run a trade surplus with the US and Canada in August, as it has done for every month since March. The £212m surplus for trade with this part of the world in the three months to August was the highest since early 1989.

Net investment by institutions in UK gilts jumped sharply to £5.6bn in the second quarter of this year from £3.3bn in the first quarter, according to figures released by the Central Statistical Office.

Investment in overseas company securities dropped to below £2m during the period compared with £3.6bn in the first quarter, further reflecting a shift towards investment in the UK.

Net investment in UK company securities rose to £6.1bn from £3.6bn.

Mr Paul Walton, an analyst with James Capel, welcomed the figures as a long-term indication of recovery of the UK economy.

NEARLY READY: The opening of the Channel tunnel, scheduled for spring 1994, heralds a new competitive era for the ferry industry

Sally Line in ferry deal with RMT

By John Willman, Public Policy Editor

IN THE latest move ahead of the opening of the Channel tunnel, Sally Line – the UK's third largest cross-channel ferry operator – yesterday announced a new partnership with Regie voor Maritiem Transport (RMT), the Belgian operator.

The partnership, formed in preparation for the tunnel's scheduled opening in spring 1994, will concentrate ferry crossings to Oostende in Belgium at the port of Ramsgate, on the Kent coast. Sailings between Dover and Oostende, which have been operated for the past seven years under a partnership between RMT and P&O Ferries, will end.

P&O Ferries and Stena Sealink, the two largest operators, have concentrated their efforts on establishing shuttle services between Dover and Calais, the shortest channel crossing. Both plan to offer 25 sailings a day in each direction, to compete with the train shuttles running through the tunnel.

The Scandinavian-owned Sally Line operates two passenger ferries and one freight ferry between Ramsgate and Dunkerque in northern France. It also operates a freight-only service between Ramsgate and Oostende with two ships.

RMT currently operates three ferries and two jetfoils between Oostende and Dover. Under a five-year agreement to run from January 1 1994, the RMT service will be merged with the two Sally Line freight ferries to offer up to ten freight crossings a day on the route.

The new partnership predicts a combined share of the cross-channel passenger market of 20 per cent – double Sally Line's current share of 10 per cent. For the freight market it sees a combined market of 23 per cent compared to Sally Line's 17 per cent.

Sally Holdings UK, the parent company, also owns the port of Ramsgate, and will be investing £6m in increasing its capacity. The company expects to add another 50 jobs to the existing 800-strong workforce in the port.

Mr Michael Kingshott, chairman of Sally UK Holdings, said that the move would secure the future of the ferry operation. "We expect to enter the next century as a major ferry operator on the short sea routes, increasing our market share for both passenger and freight operations," he said.

Dockers find fortune after takeover

THE DOCKS at the port of Sheerness were eerily quiet yesterday evening, writes Stewart Dalby. Everyone was in the canteen, hanging on every word of Mr Peter Vincent, chief executive of Medway Ports.

The company had been taken over by the Mersey Docks and Harbour Company. Some 300 full-time employees of Medway stood to make a killing as shareholders. When the Medway ports were privatised eighteen months ago around 270,000 shares were distributed. A further 730,000 shares were offered to employees at £1 each. However they are now worth £38 each.

As Mr Vincent, £12m richer himself, gave details of the takeover. Broad smiles seemed strong enough to disperse the rain clouds. As the employees streamed out few seemed inclined to resume work. The mood amongst nearly 300 men made redundant last year was less buoyant.

Details of takeover Pg 23

Britain in brief

BBC launches TV service for Japan

Mr John Major has praised a £150m deal between BBC World Service Television and Nissho Iwai, the Japanese trading group.

The prime minister said: "From next spring, Japanese viewers will be able to experience for themselves the excellence of BBC programmes specifically tailored to their own interests."

He was speaking at a reception in Tokyo to announce formally that BBC World Service Television would be launching its 24-hour news and information channel in English next year. There will be a separate Japanese translation broadcast from London for four hours each evening. The English and Japanese audio will be transmitted in stereo so that viewers can choose how much of each language to hear.

In Japan, the service will compete with Mr Ted Turner's Cable News Network.

The deal increases the reach of World Service Television, which is available on the Star satellite system in Asia, broadcasting to 34 countries. The service is also available in Europe, Africa and on cable television networks in Canada. The BBC said it was in discussions with prospective partners in the US, South America, Australia and New Zealand.

Vauxhall, Ford cut production

Ford and Vauxhall are to cut production sharply at their Halewood and Luton car plants next month under the impact of the continuing steep decline in new car sales in continental Europe. The news follows an announcement earlier this week that Nissan is being forced to halve production at its Sunderland plant during November and December.

Construction upturn patchy

The patchiness of the upturn in the construction industry was underlined by official figures showing that total orders are rising, but revealing big differences in the performance of different sectors.

Provisional figures from the Department of the Environment showed orders rose 9 per cent to nearly £4bn in the three months from May to July, compared with the same months of 1992. Orders were still 5 per cent lower than for the previous three months of 1993. The statistics are based on constant 1985 prices, seasonally adjusted.

The best-performing sector in the latest three months was private commercial building, where orders were up 27 per cent on the previous three months and 20 per cent higher than in the corresponding period a year ago.

Students face funds squeeze

Mr John Patten, education secretary, has given a strong signal that the government is seriously considering raising extra funds for universities from students.

"No options are ruled out," he told a committee of vice-chancellors and principals, adding that taxpayers benefited from higher education in a "less direct and tangible way" than graduates. The committee has commissioned a report into extra funding.

Major TV decision

Divided ministerial opinion means Mr John Major will have to decide whether independent television (ITV) ownership should be changed to allow the nine largest companies to take each other. The nine largest ITV companies are banned from taking each other over by law. A change could have a dramatic effect on the share price of companies such as London Weekend Television, Anglia and Central, which could become bid targets. The decision will be taken in the autumn.

QVC moves in

Part of Marco Polo House, a prominent building in London's Battersea, and the former headquarters of British Sky Broadcasting, has been let to QVC, a US home shopping television organisation. The BSB section of the 90,000 sq ft building was vacated shortly after the company merged with Sky Television in 1990.

Smartcard for London buses

London Transport plans to invest £22m in a smartcard ticketing system which could preserve Travelcards after the deregulation of London bus services. The cards will enable passengers to use buses operated by different companies by inserting them in a machine on the bus. The machine will produce passenger figures to divide the revenue.

Times keeps new readers

The Times national newspaper is continuing to hold a circulation increase of more than 30 per cent nearly three weeks after the paper cut its weekday cover price by 15p to 30p.

Official sales figures for the first week of the cut shows an average of 461,000. The average figure for August was 354,280.

Wholesalers agree that the main loser has been The Daily Telegraph – according to some it was down as much as 4 per cent. The broadsheet market as a whole is estimated to have risen by just over 1 per cent.

Law on wills faces reform

The Law Commission, the government's law reform advisory body, called yesterday for a change in the law governing the effect of divorce on wills.

In Britain, when a couple marry, any previous will made by either of them is automatically revoked. If they get divorced, however, this does not happen. The law tries to cut the former spouse out of the will by providing that any gift to him or her should "lapse". The commission says this causes confusion and if the testator dies without altering their will and does not subsequently remarry, problems can arise which defeat their intentions.

Milk prices to be set by auction

By Deborah Hargreaves

MR ANDREW Dare, chief executive of Milk Marque, said yesterday he will hold an annual auction for supplies as a way of setting prices when the £3.3bn milk market is liberalised next April.

His proposals for a "rolling" auction are the first indication of how dairy pricing will work in the new free market.

Mr Dare has been widely criticised in the dairy industry for promising higher prices to farmers following the abolition of the Milk Marketing Board, the government's compulsory purchasing scheme.

Milk Marque, successor to the board, which is being set up as a voluntary co-operative, says an auction will allow the free market to determine milk prices. But since the UK produces only 85 per cent of its own needs, pressure on supplies is likely to push prices up. Consumers could end up paying up to 8 per cent more for their pints if dairy companies pass these higher prices on.

Milk prices are currently set by a committee of board and dairy industry representatives with a rationing system in place to ensure that fresh supplies receive priority.

Dairy companies which want to buy their supplies from Milk Marque next year rather than directly from farmers, will be asked to indicate how much milk they want to buy over which period and at what price.

Once Milk Marque has received the bids it will evaluate all the information over two weeks before it allocates a market price for each contract type – the contract will cover delivery patterns.

Prices could be squeezed upwards if there is strong demand or customers could see their demands scaled back. If any milk is left after all allocations have been made, it will be sold at lower prices or on to the spot market.

Dairy companies which have signed up farmers to supply directly are offering to pay them a premium over the Milk Marque price.

Northern Foods said it has already met its yearly requirements for 2bn litres of milk by signing up 3,100 farmers to provide its offshoot Northern Milk Partnership. This represents nearly 11 per cent of UK producers.

Other dairies want to buy directly, but Milk Marque is hoping to gain 80 per cent of farmers.

Porsche seeks Daewoo deal for Korean imports

By John Griffiths

PORSCHE'S wholly-owned UK importer hopes to conclude by the end of the year a deal under which it will import and distribute South Korean-built Daewoo cars.

Daewoo, Korea's third largest carmaker after Hyundai and Kia, wants to establish a market presence within the UK by 1995.

It has been negotiating for several months with Porsche Cars Great Britain. The latter is being encouraged by its parent company in Stuttgart to broaden its business base following the considerable shrinkage of the luxury sports car business which has taken place since the boom years of the late 1980s.

The company, which has headquarters in Reading, Berkshire, west of London, is also signing import agreements with a number of Continental-based Porsche accessory manufacturers.

But its managing director, Mr Kevin Gaskell, yesterday dismissed reports it planned also to become a motor cycle importer.

"There is only one brand of motor cycle we would have been interested in, and that is already being well taken care of in the UK by its manufacturer", said Mr Gaskell in a clear reference to BMW.

In sharp contrast to Porsche, Daewoo is currently a producer of family cars and minicars.

Until recently, it relied heavily on producing Opel Kadett-based cars bearing the General Motors' Pontiac LeMans badge for sale in North America.

However, it ended this joint venture relationship last year in order to make and sell its own cars globally.

Daewoo currently makes around 750,000 vehicles a year but has plans to invest $3.5bn in order to triple output to 2.2m a year by the end of the decade - 1m of those sales a year outside of Korea.

Marketing restrictions agreed with GM are due to expire next year, after which Daewoo is free to implement plans to expand into the US and Europe.

Mr Gaskell made clear that the Porsche and Daewoo businesses would be run entirely separately. Import and distribution activities would be carried out at separate centres and there would be no provision for Porsche dealers to sell Daewoos.

Swan Hunter workers awarded compensation

By Chris Tighe

TRADES UNIONS representing more than 700 workers made redundant by Tyneside shipbuilder Swan Hunter since it went into receivership in May have won their members compensation totalling around £1.5m.

An industrial tribunal judgment announced yesterday ruled that receivers Price Waterhouse breached section 188 of the 1992 Trades Union Labour Relations (Consolidation) Act by not holding consultation on the redundancies.

The tribunal panel ruled that the 90 days from May 28, when the first wave of 420 redundancies took effect, should be a protected period, entitling those who lost their jobs from that date to compensation of up to 90 days pay. The six shipyard unions involved said the decision established the principle that workers' rights could not be waived in consequence of receivership.

The payments, which will come from the state redundancy fund because the company is in receivership, will be up to a maximum of about £2,600 a head, since the ceiling is pegged at £205 per week.

Smith to appeal for backing on reform

By David Owen

MR JOHN SMITH, opposition Labour party leader, will next week raise the stakes in his battle to democratise the party's selection of parliamentary candidates by making a personal appeal to delegates at the party's annual conference to back his plans.

In a highly unusual move, he will open next Wednesday's crucial debate on the proposed reforms less than 24 hours after his set-piece address.

The decision underlines the degree to which Mr Smith's personal authority is riding on the party's acceptance of the proposals, which are opposed by some large Labour-affiliated unions.

The outcome of next week's vote looks too close to call. The issue is set to dominate the conference in Brighton. Mr Smith's plan, watered down to overcome union resistance, is for candidates to be elected by constituency members on the basis of one-member-one-vote.

The unions would lose their right to influence selection, but union members would be able to vote as individuals by paying a reduced party membership fee.

هكذا من الأصل

The new head of English National Opera tells **Lucy Kellaway** of his plans to boost attendance

Time to sing a new song

In the shop next door to the London Coliseum, T-shirts bearing the slogan Everyone Needs Opera have been reduced to £7.99. Posters advertising last season's more obscure operas have been slashed to 50p.

The giddy days are over when clever branding brought the world and its wife to see far-out productions at the English National Opera. The market has changed, the management has changed and the strategy has changed.

Dennis Marks, ENO's new general director, sits in his poky office under the roof of London's second opera house humming one of the arias in La Bohème under his breath. That opera, which opened last week, is the most popular ever written. And with it, ENO is trying to re-establish itself as Britain's most popular opera company.

"Accessibility," Marks says emphatically. "That one word is at the centre of everything we are trying to do. We are trying to take musical theatre to the widest number of people regardless of their capacity to pay."

In marketing terms, it is a tall order. Getting people to go to the opera when they are fighting to pay the mortgage is not easy. ENO has been successful in branding itself in the 1980s; the challenge for the 1990s is to capitalise on the brand name with more direct ways of getting bottoms on seats.

The racy advertisements featuring bare-chested stage hands and sopranos in negligees have won awards and done their job, says Marks, while the ENO corporate logo is in the Museum of Modern Art in New York. Less successful has been the recent Everyone Needs Opera slogan, which Marks has decided to withdraw.

"One day I walked out of Leicester Square tube and saw someone in a sleeping bag under one of the Everybody Needs Opera posters. It exposed the company as being underaware of what was going on around it."

Marks has no plans for finding a replacement for the unhappy slogan, arguing that people know that ENO exists. To remind them again would be a waste of money. "What we must do is to cross the gap between perception and getting people in."

Like most other theatres, ENO's subscriptions have fallen in the recession, as have advance bookings. Instead, people buy tickets on the day – or don't, depending on how rich they feel. This has had a serious effect on the company's profits – each annual percentage point fall from the capacity audience cuts profits by £100,000 a year.

Falling audiences have led to a deficit of more than £2m. Unless the tide is turned, ENO will have no chance of meeting this year's budget.

To fight back, the company has just installed a state-of-the-art computerised ticket system which allows it to keep tabs on everyone who has ever been to the Coliseum. "We know what sort of buyer you are, what you have been to see," says Marks. The aim is for the right kind of publicity to reach the right kind of customer.

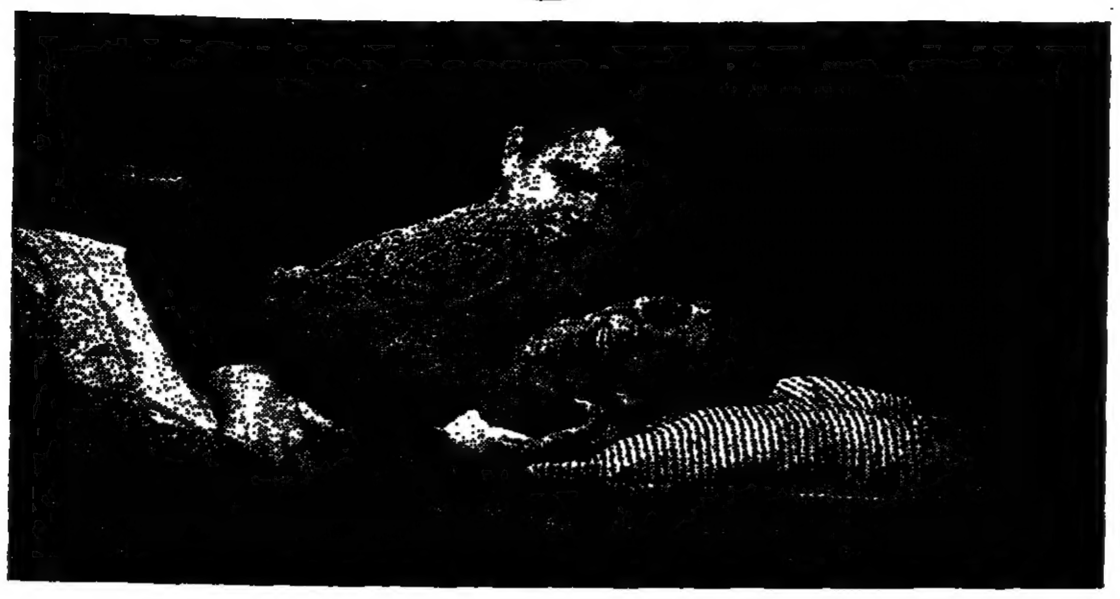
ENO has rolled its public relations, development and press departments into a single unit, which is devising tactics for talking to the audience more directly. It has relaunched its subscription scheme and is trying to lure the audience back to booking in advance. It has tried to find out why its numbers have fallen, and is targeting sectors of the possible audience – such as people living outside London – that have been staying at home in droves.

The company is also trying to market itself better to sponsors – which are being expected to make up the shortfall left by the dwindling grant from the Arts Council. ENO recognises that it will never get much of the corporate entertainment market with its tatty opera house. Instead, it is concentrating efforts on companies in complementary lines of business.

"The kind of work ENO does is something that is attractive to companies that are interested in development," says Marks. ENO was recently given money by management consultancy KPMG as part of its "future positive" campaign.

But whether the new team can bring it off depends on the operas themselves. "We have to be like the car in the Volkswagen advertisement – we have to be the brilliant fast one, but also the reliable one. What we are is a company people can go to as they go to a cinema."

Depending on which metaphor you prefer, La Bohème is either the opera equivalent of the reliable car or of Jurassic Park. Unfortunately, the critics verdict so far is that the gear changes were too obvious and the special effects wanting.



Ivan Kyncl

La Bohème, the most popular opera ever written, opened at ENO last week. With it, the company hopes to revive its fortunes

Who reads what and why

As an FT reader, you are likely to be an Adrian Amex, Gordon Golfer or possibly a Terence or Tara Tennis. What you are least likely to be is a Cheryl Clubber or a Basil or Betty British.

The characters are the creation of CIA, the independent advertising media buyer, drawn from information that 25,000 UK adults supplied about themselves. The technique used – known in market survey jargon as "psychographic mapping" – is the latest attempt to build on the old A-E socio-economic classifications.

Ian Rogers, CIA UK managing director, says the exercise has revealed that surprisingly diverse kinds of readers buy the same daily newspapers for different reasons.

Further exploration of the characters should enable them to target their clients' advertising money more effectively.

Here is CIA's full cast list.

- Terry Torremolinos, 6.6 per cent of the population, C2D, single, under 35 and an early school-leaver. Terry enjoys a night at the pub, hates gardening, plays football and rarely sits down to a meal. He reads The Daily Record, Daily Star, Sun or Today.
- Cheryl Clubber, 7.7 per cent of the population, C2D, 15-24, still studying if single but likely to finish education at 16; if married, likely to have children under four. On holiday, she likes to eat, drink and lie in the sun. She enters competitions on packets and in magazines and buys new brands to see what they are like. She reads the Daily Star, Sun, Daily Mirror.
- Carol Kitchen, 7.8 per cent of the population, DE, 35-54, finished education at 15. Carol is married with children aged five-15 and either does not go out to work, or works part time. She prefers holidays in Britain and reads papers for entertainment, not news. She reads the Daily Record, Daily Mirror.
- Basil and Betty British, 16.3 per cent of population, 55-plus, C2D. Left school 14-15, not working. Basil and Betty think there is too much concern about the environment. They read the Daily Mirror, Daily Star.
- Adrian Amex, 9.2 per cent of the population, 35-54, AB. He is married, works full-time and is educated beyond the age of 19. Adrian reads the financial pages, enjoys entertaining people at home, owns stocks and shares, and made more than five business flights in the past year. He reads the FT, Independent, Times, Daily Telegraph, Guardian, or Daily Mail.
- Gordon Golfer, 8.2 per cent of the population, 45-plus, AB. He is married, is working full-time or has recently retired and left education at 17-18. Gordon enjoys his garden, relies on newspapers to keep himself informed, and has a personal equity plan. He reads the FT, Times, Daily Telegraph, Daily Mail, Daily Express or Today.
- Terence and Tara Tennis, 13 per cent of the population, aged 15-34, ABC1, they are single, still studying or working full-time. They like to stand out in a crowd, enjoy foreign food, windsurfing/climbing/skiing/tennis, treat themselves to things they do not need, and have seen a pop/rock/jazz concert in the past six months. They read the Guardian, Independent, Times, FT, or Today.

Diane Summers

More than just small beer

Microbreweries have transformed US bars, says **Victoria Griffith**

Connoisseurs of beer say that 10 years ago a visit to an American bar was a dull experience. The choice was limited and beers were almost indistinguishable in taste from each other.

However, the past decade has seen a revolution in American beer-drinking habits. These days, bars and supermarkets are often stocked with dozens of US brands, many put out by small, local breweries which aim to create uniquely flavoured products. Choice has widened substantially. Once, US brewers produced almost nothing but lager. Today, small producers have loaded shelves with dark beers, ales and such esoteric tipples as "raspberry wheat beer". Microbreweries, as these small, beer makers are called, have attracted a loyal following on the west coast and in the north-east of the US and the trend is starting to gain momentum in other regions.

Small brewers were almost non-existent in the early 1980s. Today, there are almost 400 scattered throughout the country. The marketing strategy of the big US brewers has traditionally been to offer a good-quality beer with as wide a taste-appeal as possible.

But critics claim this strategy has produced bland-tasting brews. "The microbrewers have done well because they found a market niche the large brewers had ignored for a long time – Americans who enjoy a distinctive-tasting beer," says Irene Firmat, general manager of the Full Sail Brewery in Oregon.

Microbreweries in the US still account for a tiny portion of total market share – slightly more than 1 per cent, according to William Owens, publisher of Beer, The Magazine. Still, their rising success, which has occurred in the absence of any mass-marketing campaign, has been impressive enough to make even the large breweries sit up and take notice.

To fight back, many larger brewers have now started to produce their own distinctive-tasting brands. "The specialty beer market is growing by leaps and bounds," says Ruben Valdillez of Coors Brewing Company, a leading US beer maker which now counts its strong-flavoured Killion's Irish Red among its most successful brands. "I think the microbreweries have a lot to do with that. They have helped educate the American palate."

Taste is just part of the equation, though. Even the biggest fans admit that microbreweries do not always produce the perfect brew. Small brewers appeal to consumers for other reasons as well. "There is a certain amount of local pride behind interest in the microbreweries," says Nicholas Godfrey, marketing director of the Mass Bay Brewing Company in Boston. "People like to drink a beer that they know was made around the corner."

To capitalise on local loyalties, many microbrewers also run bars, dubbed "brew-pubs", where customers can drink a product made on the premises. In Boston, the John Harvard Brew House and the Commonwealth Brewing company have both been attracting constant flows of beer drinkers since they opened a year ago.

Microbrewers can add humour to the market – for instance, the "Alimony" brand, advertised as the "bitterest beer in the world". They also offer variety. Lind Brewery of San Francisco markets a wheat beer in the summer, switches to an "Oktoberfest" brand for the autumn and then starts churning out a Christmas Ale for the holiday season.

This type of marketing technique is starting to influence the large brewers, which say they are planning seasonal launches.

Another trend boosting the microbrewing industry is the growing number of specialty beer magazines on the market. "Magazines have been part of the exposure," said Roger Lind, president of Lind Brewery. "They stimulate interest by running taste constests, explaining the history of beer-making, and keeping track of what is new on the market."

While they may still be a small force in the overall market, microbreweries are making their influence felt. American beer connoisseurs say they are grateful. "This is the way it should be," said Alan Eames, a beer "anthropologist" based in Boston. "A trip to the local bar is no longer a boring experience."

PEOPLE

Bodies politic

■ Helen Maslen, personnel director of Guy's and St Thomas' Hospital Trust, has been appointed the first civilian director of personnel for the METROPOLITAN POLICE. A former RAF officer, Maslen, 47, is a former personnel manager of the Trent Health Authority and of Oxford Regional Health Authority, where she introduced individual performance review and performance-related pay for senior managers. As director of personnel at Northamptonshire County Council, she devolved personnel functions to individual units and introduced a reward strategy for senior and middle managers. At the Met she will have responsibility for 46,000 employees – both police and civilian – and will be a member of the Yard's policy committee. She will be on a three-year contract and takes office on January 1.

■ Baroness Brenda Dean, former Sogat general secretary and deputy general secretary of the GPMU and a member of the TUC General Council from 1985-92, has been appointed a member of the BROADCASTING COMPLAINTS COMMISSION.

■ Clare Tritton, chief executive of Throckmorton Estates, an independent director of Fimbra and a former member of the European Committee of the British Invisible Exports Council, has been appointed a member of the MONOPOLIES AND MERGERS COMMISSION.

■ Terry Morgan, managing director of Land Rover Vehicles, has been appointed chairman of Central England Training and Enterprise Council.

He succeeds Edward Roberts, chief executive of Heath Springs, who will remain on the board of the Tec and will become the first president.

Roberts, who has been four years in the chair, is chairman of the Tec National Council which replaces G10, the group of Tec directors which represents Tecs' common interests to the government.

Morgan, chairman of Solihull Chamber of Industry and Commerce, was a founder member of Centec. A Welshman who still plays a mean game of rugby, Morgan practices what he will preach at the Tec – Land Rover has just been designated a practitioner of Investors in People, a national initiative implemented at the local level by Tecs, which seeks to improve the training of people in work.

■ London East Training and Enterprise Council has appointed Susan Fey as its new chief executive following a period of several months during which the Tec had an acting chief executive.

Letec, whose former chief executive resigned, has had a difficult time financially because of a substantial claw back of public funds after it fell foul of government accounting procedures.

Fey was formerly chief executive of the City Technology Colleges Trust and she brings a wide experience of working in secondary and further education and training.

SERC chief to head Glaxo's research

Glaxo, the world's biggest spender of pharmaceuticals research and development, is reorganising its R&D.

The company, which spent £739 on R&D last financial year and intends to spend £850m this year, has split the position of R&D director.

Sir Mark Richmond, 62, chairman of the UK's Science and Engineering Research Council, is to become director of the research division for a period of two years. The SERC is the largest of Britain's government-funded research councils; it distributes more than £500m a year in grants to university scientists and engineers.

Goran Ando, currently research and development director, becomes director of group development and product strategy. Both Ando and Sir Mark will report to Richard Sykes, chief executive, and board director responsible for R&D.

Sykes says the rapidly expanding knowledge base, especially in the understanding of the genetic basis of disease and the microbiology of cells, means that pharmaceutical companies would increasingly have to have access to information from both universities and biotechnology groups.

"To be successful you have to harness these new technologies. Having access research is really critical to the future of the company and you need very good people to do it.

"Sir Mark has exceptional scientific skills from his experience of molecular genetics at Edinburgh University and microbial biology at Bristol University. He also has organisational skills from running the SERC and being vice-chancellor of Manchester University, the largest outside London."

Sir Mark will be responsible for research as Glaxo's research organisation moves into its new headquarters in Stevenage.

Sykes says Ando's position was also highly critical. He would be responsible for developing safe, effective medicines that represented significant advances in therapy. For products to be successful, they had to offer value. As head of product strategy, he would ensure that the important links between product development and marketing were tightened.

■ Peter Lusty, formerly director of product development, has been appointed director of health systems at MCDONNELL DOUGLAS INFORMATION SYSTEMS.

David Waller on how German software company SAP has prospered on a vision five men shared 21 years ago

Rigid standards lead to the top

Twenty-one years ago, five software engineers left the German arm of IBM to set up their own company. Their aim was to develop "standard" software powerful enough to handle all companies' data management needs in areas as diverse as production, sales and distribution and accounting, and flexible enough to adapt to the individual requirements of companies in widely different industrial sectors. It would be an alternative to costly tailor-made software packages.

The dream turned into a reality and SAP, the company which they founded, is today one of the world's top dozen software companies and European market leader in integrated business software. Its main competitor in this segment of the market is Dun & Bradstreet Software (DBS), a subsidiary of the US business information group.

For more than a decade, the mainstay of SAP's business has been a product called R/2, a software system designed for use on large companies' mainframe computers. Customers include more than 1,400 of Germany's largest companies – but also 75 US corporations, including nine of the top 10 Fortune 500 companies.

The system typically handles tasks involving the input of thousands of individual items of data – for example, an airline's ticket-issuing system or cheque clearing for a large bank.

It is designed on a modular basis, so that the customer can extend the use of the system to cover different applications at will. At the core of the system is what SAP calls the Basis System which provides limited data storage and word-processing facilities. On to this the customer can bolt modules which cover functions such as materials management, quality assurance, plant maintenance, financial accounting or cost accounting projects.

While R/2 accounted for more than half SAP's group sales of DM831m (£332m) last year, the thrust of the business is set to

Customers include more than 1,400 of Germany's largest companies – but also 75 US corporations

change fundamentally with the recent introduction of R/3 – a new generation of software which is designed to appeal to small and medium-sized companies.

According to Dietmar Hopp, SAP's chief executive and one of the four founders who own 80 per cent of the company's shares, the move to a new product mirrors fundamental changes in the computer technology market.

As computers become cheaper and smaller while retaining the power of larger machines, companies are shifting away from expensive mainframe computers to client-server systems, which form networks of personal computers and workstations to process the company's data. Coupled with this is the move to open systems, where hardware and software are built to common standards which enable them to be interconnected with an ease unknown in the past.

Hopp says the new product, which SAP began marketing last year, is designed to follow the market trend away from mainframe computers – and to open up a vast customer base of medium-sized companies for whom R/2 was inappropriate and too expensive. While R/2 costs anywhere between DM400,000 and DM2.5m to install, R/3 sells at a minimum of DM100,000.

As yet, SAP is the only company in the world to offer this kind of fully-integrated modular software for mid-range computers, although DBS is expected to launch a rival product this year. Other companies tend to specialise in one functional area (for example, providing accounting or human resources software) but R/3 links the financial, personnel and manufacturing functions together.

The new product achieved sales of DM37m last year. This year, Hopp predicts, SAP will have sold 1,000 R/3 systems – 10 times as many in 1992 when the system was sold only in Germany – generating sales of DM200m. As the marketing push continues in the US and Europe, analysts are hopeful that sales will climb to DM350m in 1994.

This is likely to compensate for the slow decline in revenue from R/2, which is likely to lose ground as more companies move away from mainframes. R/3 can also be used to upgrade existing R/2 systems.

Having tackled the "midi-market" with R/3, the next step is to develop integrated standard software for the PC market. To this end, SAP is in talks with Microsoft, the US software group. SAP hopes that this will lead to the development of a package which the US group could incorporate into its Windows-based systems.

SAP learns to adapt to the world of client-server computing

Of the handful of European software houses which have achieved success in international markets, two are German, SAP and Software AG. Both came to prominence in the 1980s. Both are also going through considerable cultural and technological changes as they adjust to new technologies and to ways of processing data prevalent in the 1990s.

SAP's international success is based on its understanding that companies derive most value from integrated business software which obeys common standards throughout the organisation, where the definitions used by the back office in accounting are the same as the front office uses in selling.

Its R/2 product for IBM mainframes proved especially popular with multinational corporations, who were able to instal the same system in each location, benefiting from consistent information descriptions, one-time data input and real-time working.

Among SAP's customers are ICI, Esso, Mobil Oil and British Rail. Of the top 10 US corporations, eight use SAP software.

Germany remains the company's main market, with 80 of the top 100 largest industrial companies as customers. If the company has a fault, it is a certain rigidity of approach, something it shares with Software AG. One analyst says: "It is a very engineering-oriented company".

The change to client-server, open system designs, will not prove easy. R/3 was at first intended to replace R/2, but now both will be offered in parallel for the foreseeable future. According to the consultancy Ovum: "At issue is the extent to which R/3 systems are capable of achieving the high volume performance of their ancestor R/2."

The US remains a critical market for SAP and it has doubled its staff there in the past 15 months to counter an earlier lack of marketing aggression.

It has formed a number of alliances to help its cultural shift. Siemens Nixdorf is a reseller of SAP software and consultancy partners include Andersen, Coopers & Lybrand and Schitag Ernst & Young. Last year, it announced a technological and marketing agreement with Software AG.

Alan Cane

Novell plan falls at final hurdle

Geof Wheelwright and Alan Cane report on a stalled Unix deal

Last-minute objections from leading computer suppliers have delayed, for the time being, a move which would have redrawn the battle lines in the so-called operating systems wars.

Novell, the US-based market leader in PC networking, which earlier this year completed a $320m (£208m) acquisition of Unix Systems Laboratories from AT&T, had planned to "give away" the rights to the Unix operating system to X/Open, a computer industry consortium including IBM, Hewlett-Packard and Sun Microsystems. X/Open is concerned to set standards which ensure that versions of Unix from different manufacturers are compatible and allow applications software to be moved freely between machines.

Now objections by a number of the companies which would have been affected by the deal have stalled Novell's plan to relinquish the rights to Unix. The idea had been that passing control of Unix to an industry consortium would silence critics who argue that control of such an important piece of software should not rest with any one company.

It is understood the objections turn around disagreements over who will fund further Unix developments and questions about the future of networking software independently developed by companies in the X/Open consortium.

Intense lobbying means that it is likely the plan will eventually go ahead, but in the interim Novell has announced a plan to: "Bring PC market economics to the Unix marketplace."

Unix is one of a number of competing operating systems which are being promoted as the key to "client-server" computing, networks of personal computers and servers which are expected to take over from mainframe computers for many corporate applications. Unix allows many users to work on the same computer system and individual users to work on several programs simultaneously. Designed originally for mid-range computers, it is effective on today's very powerful reduced instruction set computing (Risc) processors.

Its principal rival as industry standard operating software is Windows NT, released a few weeks ago by Microsoft, the US software house which dominates personal computer software.

Novell said earlier this week that in order to increase the appeal of Unix to the personal computer sector it would speed up the integration between Unix and Novell's own "NetWare" network operating system.

In practical terms this means that Novell's own version of Unix, UnixWare, will be incorporated into the Unix source code written for Intel microprocessors. Intel chips power some 80 per cent of today's personal computers.

By 1994, according to Novell, it will be able to provide common network management, system directories and other features which will allow NetWare and Unix to be tightly integrated. This means that computer companies building systems around Unix will not have to worry about designing new network software connections; that will be handled by the Unix/NetWare specification.

In other words, it should be easier to build enterprise-wide information management systems – existing local area networks running on NetWare can be more simply integrated with Unix software at the heart of the system.

The new software will be submitted to X/Open for its approval. Novell hopes to gain in market share and market unity what it will lose in development autonomy. Ray Noorda, Novell chief executive, said: "Novell bought the Unix system to lead the industry in unifying it, while increasing its openness and strengthening its value to customers through volume distribution. Our business is to extend the value of the Unix system to the tens of millions of industry-standard computers shipped with Intel processors."

This week ICL, the UK-based manufacturer owned by Fujitsu of Japan and a big supporter of X/Open, said it supported the Novell UnixWare strategy and welcomed its decision to offer to move control of Unix to the consortium.

Peter Stuart, business strategy manager for ICL's client-server systems division, said it would result in a significant reduction of confusion in the market.

Cinema/Nigel Andrews

The feelgood factor

THE WEDDING BANQUET (15) **Ang Lee**
SLEEPLESS IN SEATTLE (PG) **Nora Ephron**
THE FUGITIVE (12) **Andrew Davis**
BOILING POINT (15) **James B. Harris**
IN THE SOUP (15) **Alexandre Rockwell**

Cinema's PR industry has its own form of shotgun wedding. When it likes the sound of two words together, it forces them to unite for life. Thirty years ago word-marriages like "spinechilling," "bloodcurdling" and "ribtickling" were the stuff of promo language. Large with hyperbole, armed with the warheads of exclamation marks, they hurtled out from the screen towards us in movie trailers. Today's favourite compound, more suited to an age of psychobabble and post-yuppyism, is "feelgood."

But what are feelgood movies? Short answer: *The Wedding Banquet* and *Sleepless In Seattle* are. They present human problems and then they fix them. They ask you to believe that people are fundamentally loving and warm. They have happy endings. And they are the disposable-tissue industry's best friend.

The worst feelgood movies can also make you feel cheated: your tears or cheers wrung by a form of emotional arm-wrestling, using music, plot contrivance, limpid-eyed stars and if possible a dog. But there are no dogs in *The Wedding Banquet* and *Sleepless In Seattle*: two of the best romantic comedies in recent memory. And there is enough sour wit and credible cross-accident to make any last-reel handkerchief-reaching feel well earned.

The first movie won the Golden Bear at Berlin this year. The hero (Winston Chao) is Taiwanese-American – just like the film – and lives prosperously in New York. He devotes half his emotional energies to his native gay lover (Mitchell Lichtenstein), the other half to parrying parental postcards from Taipei urging marriage. When Pa and Ma turn up in person for a two-week visit, the lovers stash away the gay calendars, masquerade as flat-sharers and recruit a Taiwanese girl painter, who wants a "green card" to stay in America, for a let's-make-the-folks-happy wedding.

Writer-director Ang Lee scarcely sounds a false note. Things go right in the story only after they have spent a proper amount of time going wrong. For much of the movie, the hero's parent-deterring subterfuges backfire: as when he fills in a computer marriage form they have sent and lists a near-impossible blend of specifications in his bride – two doctorate degrees, five languages, an opera singing career – only for a suitable candidate to turn up on the next plane. She bursts into *Madam Butterfly* right there at the East River cafe. Soon she has been put on the next plane out.

Around the wedding itself, the comic set-pieces are scattered like confetti. A registry ceremony with the foreign-born bride ever more bewildered in her responses ("for better, for richer", "till sickness and death..."); a gay best man (Lichtenstein) making sure his friend's lips are wiped after each kiss; and games of musical woks back home in the kitchen. Here the gay lover, conscious of appearances, leaps away from the stove whenever the parents pass through, pushing artist-bride plus wooden spoon into the steam. The film's final accelerando of disaster – including pregnancy and parental truth-learning – keeps the story piquant and perilous even as the (almost) happy ending looms.

Sleepless In Seattle also spends furlongs of footage working to deserve its feelgood factor. Here is a romance between a boy and girl who never meet. Well, they might meet in the final minutes, but why should I spoil your fun by specifying whether they do: whether Seattle widower Tom Hanks and Baltimore pen-friend Meg Ryan actually fulfil their mooted Valentine's Day tryst atop the Empire State Building? Only Hanks's small son (Ross Malinger) has really tried to make it work. He first set the two hearts fluttering by pushing lonely Dad into a radio agony phone-in where he bared his soul to a listening world including, 3000 miles away in a car, the captivated Ryan.

Director and co-writer Nora Ephron manhandles David Twohy's original story into a semblance of her own sweet-and-sour romance *When Harry Met Sally*. This is more "When Sam Did His Damnedest Not To Meet Annie." Sundered by a continent, each spends the film dithering with his or her respective dates or mates: Hanks with a hyena-laughed former flame he has re-ignited, Ryan with her stuffy fiance Walter (Bill Pullman). "Walter: it's quite a formal name, isn't it?" says her mother, planting the early anti-Walter time-bomb. And yes, soon Ryan is hankering after Hanks: a fact we recognise from her constant re-viewings of *An Affair To Remember* on TV, used by Ephron as a flag-of-distress romantic leitmotif, and from her sobbings over Cary Grant and Deborah Kerr as they stumble star-crossed towards the world's tallest building.

Of course the Empire State is no longer the world's tallest building. But who wants a romantic tryst atop the World Trade Centre? Besides, *Sleepless In Seattle* is all about the absurdity of romantic destiny as a concept. "What we think is fate," someone cracks, "is just two neuroses knowing they're a perfect match." This film would be sentimental if it were not funny at sentimentality's expense. Witness the scene where a girl sobbingly relates the climax to a favourite weepie to two men friends, who then parody her with a sobbing account of the climax to *The Dirty Dozen*.

It ends, of course, with stars and sighs and "destiny" fulfilled. But this, like *The Wedding Banquet*, is a feelgood film that puts in enough early work in the reality department to earn its right to feel good and to make us do so.

*

The Fugitive has been a monster hit in America. There any film with Harrison Ford jumping from crashed prison vans, sidestepping oncoming express trains, leaping from the tops of dams and exposing corruption in high places carries the label "Critic-proof". Actually, American critics lauded the film, which shows that even an intelligent person can end up soft in the brain if hit over the head often enough.

Dr Richard Kimble (Ford) is accused of having killed his wife. He is packed off to Death Row but escapes from his prison escort. Then he doubles back to Chicago in disguise to start proving his innocence. Then – oh but you have all seen *The Fugitive* series on TV and if you have not you may get some fresh enjoyment out of this high-octane twaddle.

Speaking personally, I felt that the engine kept missing. Too many coincidences. Too many "Oh there he is!" sightings in hospital corridors, which fall unaccountably to end in capture. Nor was I happy with the idea of a one-handed hit man, the real killer played by ghoulish Andreas Katsulas. Surely murdering a doctor's fully conscious, struggling wife is difficult enough with two hands? And then there is the danger – realised here – that the framed doctor will know how to look up the said uni-limb in the medical records.

Never mind. Insanity has its own momentum, Hollywood its own ignore-the-rules driving licence. Andrew (*Under Siege*) Davis directs at 90 mph, as if trying to reach journey's end without a single comfort stop; and Tommy Lee Jones, in swashbuckling form as the pursuing U.S. Marshal, screeches round even more corners on two wheels than Mr Ford.

Boiling Point and *In The Soup* have nought in common but their quasi-culinary titles and their links with the Mafia. The first is a thriller that scarcely reaches feeding-bottle temperature. Mafia-embroiled crook Dennis Hopper, wearing glowing orange hair, is pursued through the night by black detective Wesley Snipes, failing to glow at all either histrionically or optically. Lesson for the week: putting a black actor in a film noir is as problematic as putting a white actor in a snow movie. You had better made sure your lighting cameraman knows his business.

In The Soup we have reviewed before, when it opened to three men and a dog at the National Film Theatre. Now this funny film about film-making is in the West End – with its mishap-prone hero (Steve Buscemi) finding that the shortest route to movie finance is through an even more mishap-prone *Mafia* boss (Seymour Cassel) – and you may all, if you please, attend.

Winston Chao and May Chin in Andy Lee's 'The Wedding Banquet'

'Giovanni' and 'Tito' open Glyndebourne tour

The performance began even before the conductor had lifted his baton; it was a virtuoso exhibition of disciplined passion which only only someone really short of money could achieve. Sarah Playfair, the Glyndbourne Touring Opera's administrator stood before the footlights wringing the hearts of the Sadlers Wells audience with lamentation for the loss of its grant.

The prospect of a sizeable Arts Council reduction in opera funding – to be phased in gradually or, in the case of GTO, with brutal immediacy – is now looming menacingly large. In response, Miss Playfair gave us the first sample of what may prove to be new kind of performance in which her audience-rousing rhetoric was in danger of overshadowing the evening's account of *La clemenza di Tito*.

She needed to. In the summer, Glyndebourne received warning that the 1993 six-city, eight-week programme (September 16 - November 13) is the last for which GTO can expect public funding. This threat is pointed at the head of an artistic enterprise whose attention to its touring duties has obviously met every possible Arts Council criterion and measurement of quality. It is so patently unjust and lacking in logic that public outcry has already started, and can only be expected to increase during the tour (it will if Miss Playfair and her associates have anything to do with it).

But if GTO is to go under – a thought too horrible to contemplate for anyone concerned with the health present and future of British opera – it will have done so fighting, and with a 1993 schedule that shows exactly what the company ideal is all about and why it is worth fighting for. Two Mozart productions from the main festival lead the way – *Don Giovanni* in the famous Peter Hall staging of 1977, *Tito* in the two-year-old one by Nicholas Hytner, both cast with rising talents adding new lustre to the experience of each. Still to come is the British premiere of an important opera, *Cornet Rilke's Song of Love and Death*, by a significant (and in Britain largely unknown) German composer, Siegfried Matthus.

In truth, neither of the Mozart performances – Thursday's *Tito*, Tuesday's *Giovanni* – came fully into focus: in both cases the good things, of which there were many, were compromised by flecks of ensemble imprecision, stage untidiness which can be confidently expected to clear as the season gets under way. (But the ill-considered surtitling of both operas is something that needs urgent attention: the mirth aroused during Donna Anna's narration, in defiance of its powerful delivery by Susan McCulloch, was shaming.)

Hard-driven musical direction by both Ivor Bolton (*Tito*) and Louis Langrée (*Giovanni*) added to the feeling of unsettlement. Both these young conductors, approaching their operas from the "period" end of the Mozart stylistic spectrum, concentrate on light orchestral sonorities, clean rhythmic patterns and fast-moving dramatic paragraphs. In Mr Bolton's hands the limpid Classicism of *Tito* is treated with a foursquare directness that amounts to brusqueness; Mr Langrée's *Giovanni* displays a rather more natural sense of phrase-shape and part-balance, but only fitfully so. Relax, chaps!

The 1977 *Giovanni* production, seldom matched for its surface stillness and dramatic mobilisation of fiery inner tensions, is here rather dimly reproduced – David Massarella's is "based on" Hall's, the giveaway phrase. Too much clutter, too much cameo business: and where is the fiery cross that marks Giovanni's passage to hell?

Still, the revival has several strong points in its favour, none stronger than Simon Keenlyside's utterly compelling account of the title role. Whether in the lizard slither of his limbs or the cold glitter and unwavering gaze of his unsmiling eyes, the physical address of the role betokens total absorption in its substance. The Italian words fall exquisitely from his lips: except for a below-pitch serenade, the youthful lyric baritone is in wonderful trim.

He forms a fine partnership with Steven Page's lean, Dickensian Leporello, another lipsmackingly lively deliverer of words. Susan McCulloch's Anna (her dramatic-soprano breadth of tone well employed), Susan Bickley's Elvira (edgy but emotionally ripe) and Adrian Thompson's musically astute Ottavio are all full of promise not wholly realised on opening night.

Hytner's *Tito* production – a typically tough, intelligent response to this late, endlessly fascinating sample of Mozartian *opera seria* theatricality – lacks its full festival stage apparatus but retains much of its original cool thoughtfulness. The level of singing, a touch more "local" than that notched by the *Giovanni* cast, is never less than competent and, in the case of Fiona Janes (a rich, dignified Sextus) and Anne Williams-King (an uneven Vitellia with a splendidly fearless vocal approach), a good deal more.

Nigel Robson's Titus is subtle, deep, expertly negotiated. The Stephen Oliver recitatives, written to replace those produced (in haste) by Süssmayr for Mozart, are a worthwhile experiment that plainly failed. Back to Süssmayr as soon as decently possible!

Max Loppert

GTO at Sadler's Wells Theatre, London EC1, until October 9

Alastair Muir

Simon Keenlyside as Don Giovanni

Theatre/Antony Thorncroft

Perverse 'Thérèse Raquin'

A green gloomy glass bowl shimmers through the dark, suggesting an empty cell. Two figures dressed like pest controllers in black PVC intone the sombre opening words of *Thérèse Raquin*. The cast stagger on stage, cackling, lumbered with their props of table and chairs. A lone young woman, like a figure from a Munch painting, stands disconsolately apart. We are firmly in the grip of director's theatre.

Julia Bardsley, the young (31) new joint director (with Tim Supple) of the Young Vic, begins her reign with the production of Zola's novel of lust, murder and retribution which made her reputation at the Leicester Haymarket. It is stridently in the popular vein of physical theatre, the staff of life for troupes like Théâtre de Complicité, theatre that forces the audience to spend most of its time watching actors perform tricks of free expression and bodily improvisation, dormant since drama school, rather than lose itself in the action.

It may well let fresh air into old classics but it can also encourage stale longueurs. It is particularly perverse to adopt the approach to Zola's masterpiece of realism, in which he poured his genius into depicting the life of the petty bourgeoisie in minute detail.

The intensity of the relationship between Thérèse (Anastasia Hille) and Laurent (Rory Edwards), the lover who awakens her sexuality, is dissipated by distracting directorial inventiveness. For their first love making the actors flutter white sheets to suggest orgasm. In their final despair they throw themselves about the stage like two-years-olds in a tantrum. It little helps that Hille is a graduate of the Vanessa Redgrave School of the demotic dirge, and Edwards is stronger at brooding menace than passion.

The real problem comes with the other actors. Apart from Madame Raquin, Bardsley has given them Mickey Mouse voices: the doomed husband Camille (Gordon Milne) shows his feeble mindedness by talking like John Major. There are absolutely no laughs in *Thérèse Raquin* and populating the stage with goons is yet another distraction.

Happily Bardsley has her inspirations. The fish bowl set is correctly claustrophobic: the drowning of Camille in the River Seine is cleverly and damply transposed to a bath on stage; his haunting ghost is suitably creepy; and the scene in which Laurent visits the morgue to discover Camille's body is the best possible justification for expressionistic theatre.

At the end Thérèse and Camille are locked in a deathly embrace, and you suddenly get involved with their tragedy. For almost three hours the two actors have been allowed to go their separate ways, dipping deep into their individual boxes of actorly tricks. Their final lapse into Zola's naturalism comes too late.

Still at least Bardsley has the guts to have a point of view and the refurbished Young Vic is as comfortable as it is welcoming.

International flavour to Booker shortlist

This year's Booker Prize Short List has a truly international flavour. From Ireland there is Roddy Doyle's *Paddy Clarke Ha Ha Ha* (Secker & Warburg), by a young novelist who is a master of comic dialogue. From Canada comes late-show presenter Michael Ignatieff's *Scar Tissue* (Chatto & Windus) and also Carole Shields *The Stone Diaries* (Fourth Estate). Then the Australian David Malouf's many-layered *Remembering Babylon* (Chatto) while from the West Indies via Bradford and Oxford is the writer Caryl Phillips's *Crossing The River* (Bloomsbury), and finally Tibor Fischer's *Under the Frog* (Polygon and Penguin), a British novelist born to Hungarian parents. Vikram Seth's Indian blockbuster *A Suitable Boy* is conspicuous by its absence.

The judges, chaired by Lord Gowrie, are Gillian Beer, Anne Chisholm, Nicholas Clee and Olivier Todd. The Prize, now in its 25th year, (£20,000 to the winner) will be awarded at the Guildhall on October 26, televised on BBC-2's *Late Show*.

Anthony Curtis

INTERNATIONAL ARTS GUIDE

BARCELONA

The first opera production of the new season at the Liceu is Der fliegende Holländer, which receives the first of eight performances on Oct 2. Uwe Mund conducts Willy Decker's 1991 Cologne staging, with a cast led by Franz Grundheber, Lisbeth Balslev and Oddbom Tennfjord (412 3532)

MADRID

Teatro Lirico La Zarzuela José Serrano's zarzuela La Canción del Olvido, staged by Pier Luigi Pizzi, runs daily except Mon till Oct 10 (01-429 8225)

BRNO

The annual music festival in this Moravian city (Sep 30-Oct 10) is one of Europe's less commercialised festivals, and offers a chance to hear Czech and Slovak musicians in a wide variety of repertoire. There will be symphony concerts conducted by Grant Llewellyn, Jin Wang and Jiri Belohlavek, and recitals by Rudolf Firkusny, the Janacek and Haba Quartets and Brno Academic Choir. Guest ensembles include the Stuttgart Chamber Orchestra and the American Horn Quartet. The Janacek Opera Ensemble gives performances of Jenufa and Aida (Brno International Music Festival, Radnicka 10, 60200 Brno, Czech Republic. Tel 05-4221 4436 Fax 05-4221 1022)

BUDAPEST

Budapest's autumn music festival opens on Sat at the Academy of Music with a Bartok and Liszt concert by Hungarian State Symphony Orchestra and Chorus conducted by Ervin Lukacs. Tickets are available from the National Philharmonia booking office, Vörösmarty ter 1.

FLORENCE

Teatro Communale Tomorrow, Sat, Sun afternoon: Yuri Ahronovich conducts orchestral works by Dvorak, with violin soloist Uto Ughi. Oct 6: Murray Perahia (055-211158)

BOLOGNA

The 1993-94 season at the Teatro Communale opens tomorrow with a Richard Strauss concert conducted by Eliahu Inbal (repeated on Sat). The first opera production is Puccini's Trittico, opening Nov 27 (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

LONDON

THEATRE

- The Absence of War: David Hare's new play about politics, starring John Thaw, receives its world premiere tonight in the Olivier Theatre. It completes a trilogy of plays by Hare examining significant British institutions, presented by a single company of actors directed by Richard Eyre. The three plays are in repertory for 12 weeks, and there is a chance to see them all on the same day on Oct 2, 9, 23, 30 and Nov 13, 20 (National 071-928 2252)
- The Life of Stuff: Matthew Warchus directs London premiere of Scottish writer Simon Donald's comic psycho-thriller, set in Glasgow's gang-land. Opens tonight (Donmar Warehouse 071-867 1150)
- Carousel: Nicholas Hytner's award-winning National Theatre production of the Rodgers and Hammerstein musical (Shaftesbury 071-379 5399)
- Moonlight: Harold Pinter's first full-length play for 15 years, starring Ian Holm, Anna Massey, Edward de Souza and Douglas Hodge. Till Oct 30 (Almeida 071-359 4404)
- Two Gentlemen of Verona: a brief autumn season for the RSC's delightful jazz-age production of Shakespeare's romantic comedy (Barbican 071-638 8891)

OPERA/DANCE

Covent Garden The Royal Opera's repertory for the next two weeks consists of Madama Butterfly (with Diana Soviero and Arthur Davies) and L'Italiana in Algeri (with Marilyn Horne and Ruggero Raimondi). Oct 8: Bernard Haitink conducts first night of Graham Vick's new production of Meistersinger, with John Tomlinson, Nancy Gustafson, Thomas Allen and Gösta Winbergh (071-240 1066)

Coliseum ENO repertory consists of Street Scene (with Josephine Barstow and Lesley Garrett), Simon Boccanegra (with Gregory Yurisich) and a new production of La boheme, staged by Steven Pimlott and conducted by Sian Edwards, with Roberta Alexander as Mimi. Next Wed: revival of The Rape of Lucretia, with Jean Rigby (071-836 3161)

Sadler's Wells Glyndebourne Touring Opera is in residence till Oct 9 with Don Giovanni, La clemenza di Tito and the British premiere of Siegfried Matthus' Cornet Christoph Rilke's Song of Love and Death (071-278 8916)

CONCERTS

Barbican Tonight: Michael Tilson Thomas conducts opening concert of LSO 1993-94 season, with a programme including Ravel's Shéhérazade and Nielsen's Fifth Symphony. Tomorrow: William Boughton conducts English Symphony Orchestra, with marimba soloist Evelyn Glennie. Sun: LSO Bernstein celebration, with Frederica von Stade, Thomas Hampson and others. Mon: Bolshoy Symphony Orchestra. Tues: Max Collie's New Orleans Mardi Gras. Wed: Vaclav Neumann conducts Czech Philharmonic Orchestra in all-Dvorak programme, with cello soloist Lynn Harrell. Next Thurs: Labeque Sisters (071-638 8891)

South Bank Centre Tonight: Franz Welser-Möst conducts LPO in works by Mozart, Ravel and Strauss, with piano soloist Cecile Ousset. Tomorrow: Matthias Bamert conducts LPO in Rossini, Frank Martin and Prokofiev. Tomorrow and Sat (QEH): Stan Tracey Jazz Octet. Sun: Yuri Temirkanov conducts RPO in Saint-Saens, Liszt and Sibelius, with piano soloist Jean-Yves Thibaudet. Mon: Andrew Davis conducts concert performance of Richard Strauss's opera Daphne, with Janice Watson (first in a Strauss/Stravinsky series organised by the BBC). Tues: Willard White sings Mozart. Wed: Michel Plasson conducts RPO and Bach Choir in sacred music by Poulenc and Fauré (071-928 8800)

PRAGUE

FESTIVAL OF MUSIC

Prague's autumn music festival, consisting of recitals and other small-scale events, runs till Oct 5 and is built around the distinguished violinist Josef Suk. This year's festival features a strong dose of Beethoven, Bach and Mozart, alongside familiar and less familiar Czech composers. Tonight's recital at Knight's Hall is given by Prazak Quartet with pianist Jan Panenka. Tomorrow: Antonio Meneses, accompanied by Cecile Licad, plays Beethoven cello sonatas. Sat late afternoon in Church of St Nicholas: choral concert pairing Schubert's Mass in G with a Stabat Mater by late 18th century Bohemian composer Johann Baptist Vanhal. Sat evening in Rudolfinum: Rudolf Buchbinder piano recital. Sun: Janos Starker joins Suk and Buchbinder in a programme of piano trios. Next Mon: Ivan Moravec plays Debussy piano music. Tues: Viktoria Mullova violin recital. Other guest artists at the festival include the Israel and Stuttgart Chamber Orchestras, Renato Bruson and Sandor Vegh. Bookings from Festival of Music Prague, Cs armady 12, 160 00 Prague (fax 02-526583) or Bohemia Ticket International (tel 02-228738)

OTHER EVENTS

Jiri Belohlavek conducts Czech Philharmonic Orchestra and Prague Philharmonic Chorus tonight and tomorrow in Dvorak Hall, in a programme devoted to Dvorak's oratorio Saint Ludmilla, with soloists including Eva Urbanova and Stefan Margita (02-286 0111). Vladimir Valek conducts Czech Radio Symphony Orchestra next Tues in Dvorak Hall, in works by Dvorak, Brahms and Janacek. Next Tues and Wed in Smetana Hall: Jörg-Peter Weigle conducts Dresden Philharmonic Orchestra in Barber, Mahler and Bruckner, with mezzo soloist Iris Vermillion (02-232 2501). Repertory at Prague State Opera includes Il trovatore, Tosca, Cosi fan tutte, Rigoletto, Otello and Swan Lake (02-265353). The National Theatre has Don Carlos, The Bartered Bride, The Kiss, Rusalka and La boheme (02-205364). Don Giovanni can be seen at the Estates Theatre next Wed (02-228658)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Nice man – shame about the tie

BOOK REVIEW

"Into the unsettled England of the 1820s the locomotive burst its way." So wrote the young Harold Wilson in the opening sentence of his prize-winning Gladstone Memorial Essay on The State and the Railways in Great Britain (1823-63) at Oxford university in the 1930s, though the rest of the essay, we are told, was rather less high-powered.

It sounds remarkably like his subsequent career in politics.

Wilson was the most exciting leader of the opposition in postwar Britain. He was not the most exciting prime minister. (That was Margaret Thatcher.) After the initial bursts of steam, there were long cooling-off periods.

Yet Wilson still casts a spell over the British scene. There have been more books about him, several of them written by himself, than any other British prime minister since 1945, if you count Churchill as essentially a wartime leader.

It is no disparagement of the earlier efforts to say that Philip Ziegler's is the best so far. This is partly because Ziegler has had access to some private papers previously unavailable, partly because he is an accomplished and experienced biographer and partly because he has drawn, very sensibly and with full acknowledgements, on the books that have gone before. The sections on Wilson's early life in particular are fuller and more authentic than in any earlier volume. Ziegler has also drawn intriguingly on dispatches from the American Embassy in London, which has always kept a close watch on British politics.

Do not, however, expect anything sensationally new. For Ziegler, like his predecessors, has ducked the main question. That is how good, or how bad, a prime minister Wilson was. Could anyone else have done better in the circumstances of the time?

One can see why the question is constantly avoided. Wilson came in with such high expectations in 1964 and went out with such a low reputation in 1976 that to upgrade him now would compel a big revaluation of his successors and of Edward Heath in between.

WILSON, THE AUTHORISED LIFE
By Philip Ziegler
Weidenfeld & Nicolson, £20, 593 pages

If someone were to argue now that Harold Wilson was the best British prime minister in the past 30 years, it would make his successors look dire indeed. Probably he wasn't. Yet if you look at the problems he had to face, he wasn't all that bad, and if you look at the circumstances of Britain today you may well conclude that not so much has changed.

Wilson had one problem peculiar to his time and not of his own making. That was Vietnam. It was especially hard for the Labour party, some of which was anti-American and anti-war of any kind. It coincided with, and to some extent led to, a wave of student unrest which was not confined to Britain. Those were not propitious times for a left-of-centre government, though one wonders how a Tory administration would have responded to American requests for military assistance.

Yet most of the problems of the Wilson era look depressingly familiar. The prime minister's long fight to stave off devaluation in the mid-1960s is remarkably similar to John Major's clinging to the exchange rate mechanism last year. The Labour party quarrelled over Europe then just like the Tories today. Even the calls for a referendum strike a chord. As for the challenges to the leadership and the conspiratorial atmosphere, who is to say that the Tories in the 1990s come out any better? Mrs Thatcher apart, Labour leaders on the whole survive longer.

Even where Wilson failed, as in trade union reform, he set the way for changes later. Heath failed on that score as well, but the very process of trying made it easier for Mrs Thatcher. It was the same on Rhodesia which inevitably took so much of Wilson's time and would equally have absorbed any other British prime minister.

By concentrating on the biography of the man rather than the history of the time, Ziegler tends to underestimate the difficulties that Wilson faced. As in Ben Pimlott's even longer biography last year, there is no final judgment of Wilson's place in British politics, and one suspects that the reason is that no-one is yet quite sure. It may depend on whether there is ever again a Labour government.

Where Ziegler comes up trumps is on the personal side. Wilson may have had his quirks and foibles, latterly even a mild paranoia, but he was essentially a decent man, liked by most who worked with him. This is Ziegler's main conclusion after four years of research: "There were few surprises . . . what *did* impress me far more than I expected was his extraordinary niceness."

It was said of him initially that he was an exceptionally boring man. A politician needed to make the odd joke, so Wilson picked up a sense of humour on the job. He did it very well. When he protested to the BBC that it was keeping potential Labour voters at home by showing Steptoe and Son during the last hour of polling in the 1964 election, the director-general asked him what should be put in its place. "Oedipus Rex," he replied. Steptoe was postponed.

Wilson was the only British prime minister this century apart from Stanley Baldwin to resign voluntarily. Baldwin was 69 and very deaf. Wilson was under 60 and relatively fit. He had acquired a reputation for deviousness which is why even those who were told in advance did not believe that he would really go. Yet anyone who presides over a political party as long as Wilson must have a talent to finesse.

At the final cabinet meeting Tony Benn tried to take a photograph of the outgoing leader, but was deterred. "It was just a non-event," Benn recorded, "like a civil servant reaching the age of 60 and retiring." He was probably more right than he knew. There was a lot of the civil servant in Wilson, and, on the politics, as Randolph Churchill wrote to Wilson in 1964: "The Leader's tie is palest pink, it's not as red as people think."

Malcolm Rutherford

ECONOMIC VIEWPOINT

Half-baked pay policy returns

By Samuel Britten

According to a UK Treasury wag, Kenneth Clarke told his top officials at an early meeting that he had three priorities: first to be a member of the cabinet, second to represent his Nottinghamshire constituency and, third, to be chancellor.

These words are probably apocryphal, but indicative of the new spirit in the department. What is not apocryphal is that Mr Clarke has declined to seek a "pair" for divisions. (British MPs still employ an archaic method of voting by tramping many times through division lobbies. Most ministers try to avoid this by an accord with an opposition member who also agrees not to vote). The chancellor's desire to escape from the Treasury is refreshing. But spending a lot of time gossiping in the lobbies with MPs, some of them the worse for wear after dinner, is an odd method of keeping in touch with the mood of the country.

This approach might explain the resurrection of a discredited kind of public sector pay policy. Under Labour, public sector pay was governed by a norm, which was also meant to apply to the private sector. The Thatcher government eventually abolished all pay norms. For a time it persisted with a cash limit for public sector pay; but in the mid-1980s this gave way to overall cash limits.

The UK is in a remarkably good competitive position; and so will be John Major if he can hold on

For the year to November 1993, Norman Lamont resurrected, as an exceptional measure, a public pay settlement ceiling of $1\frac{1}{2}$ per cent, which has more or less been observed. The correct justification was that it enabled the public sector to discard fewer workers for any given cash limit; but the Treasury saw it more as a way of getting a grip on public expenditure itself.

The natural re-entry was to go back to general public sector cash limits. Instead there is to be a freeze on pay budgets alone – which account for a third of General Government Expenditure. Worse still, a ready-made cop-out is provided for pay increases backed by improvements in what is variously called "productivity", "efficiency" and "performance".

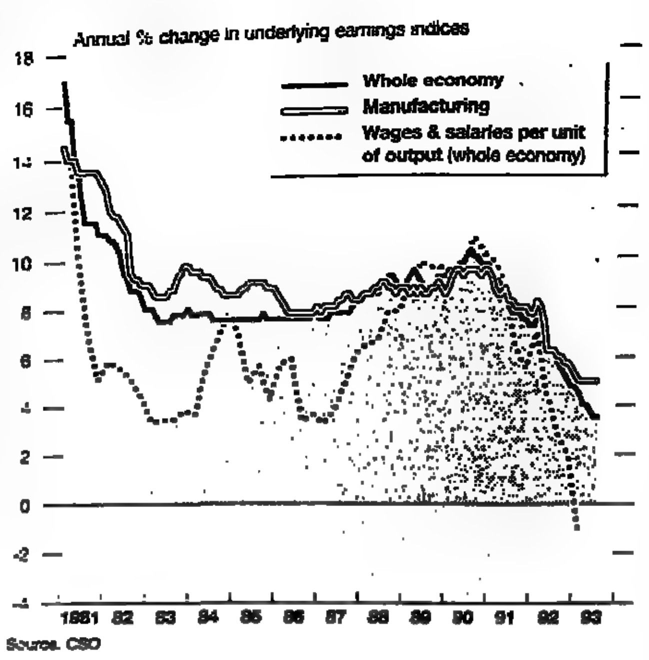
As a former chancellor, Nigel Lawson, has explained in *The View from Number Eleven*, "the pay-productivity exhortation is so familiar and uncontentious that it is very difficult to do without it, especially at the dispatch box at the House of Commons, where blunter, market-related arguments go down extremely badly, even on the Conservative side".

Nevertheless he considers it invalid for particular sectors, even though broadly true for the economy as a whole. "If wage increases were literally related to increases in output per person then all sorts of bizarre consequences would follow. Wages in high technology sectors would shoot ahead and people like teachers and doctors, whose productivity is more difficult to measure, would lag badly . . . Bus drivers, whose productivity diminishes as a result of increasing congestion on the roads, would have their pay cut . . . The true principle is the simpler, but less moralistic one, that pay should be related to the state of particular labour markets," ie, the recruitment and retention rates.

Private sector employers may talk the same nonsense about productivity. But they know that in practice the benefits of rapidly improving technology must be shared with the public in the form of price reductions – as in home electronics – or their competitors will force these upon them. They also know that if they allow the pay of workers with low measured productivity increases to fall behind, they will find it hard to recruit.

The one certain consequence of the new public sector policy, if cash ceilings are held, will be fewer jobs – whether for the same or for a worse level of service. The government's task will be made more difficult because it is not the paymaster in the greater part of the public sector. The nationalised industries are a law unto themselves. Local authorities are outside direct government control. Moreover, review bodies have unfortunately been established to recommend pay for 1.4m staff, including the armed forces, teachers, doctors and nurses. Review body awards have almost always been above average. Even in the civil service, ministers' hands are tied by a guarantee of partial private-sector comparability.

The collapse of UK wage inflation



Source: CSO

PUBLIC EMPLOYEES

Group	Staff
Civ service inc prisons	570,000
Fringe Bodies	150,000
Review Bodies	
Armed forces	285,000
Teachers (Eng)	442,000
Doctors/dentists	106,000
Nurses etc	537,000
Top Salaries	2,000
Other NHS	380,000
Local white collar	745,000
Local manual	888,350
Further education	86,000
Scottish teachers	57,400
Universities	105,150
Police	145,000
Fire	41,000
Courts, probation	18,200
Nat. industries etc	469,500
TOTAL (inc misc)	5,005,600

Although public and private sector pay diverge a lot from year to year, over a slightly longer period they move in remarkable harmony – drawn together not by bureaucratic procedures but by labour market forces.

The dangers of the new pay policy are: too many public sector job losses in order to offset excessive pay settlements, general miseducation and perhaps greater difficulty in keeping to the spending guidelines.

Yet, as Adam Smith once remarked, there is an awful lot of ruin in a nation. For the moment, public sector backsliding is likely to be offset by the far more important shift towards pay flexibility in the private sector, which has been summarised in the September issue of *Employment Gazette*. First, there has been a a fall from two-thirds in 1984 to less than a half in the proportion of employees whose pay is determined by collective bargaining. Second, there has been a shift to more decentralised pay setting. Third is an increase in what is unhappily named "performance-related pay".

In fact, traditional forms of rewarding effort, such as piece work, have declined, but they have been more than offset by financial participation such as employee shares or profit-related pay. So there is a modest but growing element of pay which is linked to corporate profitability and which represents the best hope for employment in the longer run, by inserting an automatic element of flexibility into employment costs.

The extent of the collapse in wage inflation has still to be appreciated. It was a frequent complaint in the 1980s that, in spite of high unemployment and moderate inflation, annual earnings increases remained stuck at $7\frac{1}{2}$ per cent. Now they are down to $3\frac{1}{2}$ per cent. It is not surprising that pay increases have failed to drop quite so far in manufacturing, as international competitive pressures have been dampened in that sector by devaluation. (Manufacturing pay increases were also above the whole economy average when sterling was declining in the early and middle 1980s.)

Most remarkable of all has been the behaviour of unit labour costs. Thanks to an unexpectedly vigorous rise in productivity, these have *fallen* by 1 per cent over the whole economy, even when measured in national currencies. Manufacturing costs have fallen even more, putting Britain in the low-cost lead among the Group of Seven leading industrialised countries. The UK is in a remarkably good competitive position; and so will be John Major if world recovery occurs and he can hold on.

Of course the improvement reflects recession pressures. It also reflects the benefits of two years inside the exchange rate mechanism. But it would hardly have gone so far without the labour market shake-out of the 1980s, the more competitive culture and the shift towards pay decentralisation.

Charts of national wages cannot, however, show the greater dispersion of pay settlements in line with differing market pressures. This change will ultimately price more people into work; it may already account for a jobs trend that is not as bad as in many parts of the overregulated European Community. The new policies have claimed victims among those at the adverse end of market forces. But the victims will not be helped by stopping the clock. Nor will anyone be helped by half-baked pay policies in the public sector.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Essential that clearers heed governor's call

From Mr Andrew Michell.

Sir, The governor of the Bank of England is right to be worried that the economic upturn could be stifled ("Bank governor calls in clearers", September 21). Our company's experience illustrates the problem well and also points the way to one possible solution.

As a manufacturer with a high export ratio we were well looked after by our bank for many years. Then, under increasing pressure from head office, our local manager told us he was no longer allowed to include export debtors in our total balance sheet for the purpose of calculating our lending facility. He offered his bank's own Export Credit Guarantee Department scheme as an alternative, but even he recoiled when he realised that this equated to an interest charge of 24 per cent! In order to maintain our export momentum we were forced to look for an alternative supplier of banking services with a more enlightened attitude to exporters. We found this in Credit Lyonnais, a leading French bank, which is progressively developing a branch network throughout the UK. This bank makes no distinction between a debt in Hamburg and a debt in Huddersfield.

It will be interesting to see whether the governor's initiative succeeds in provoking a positive response from the UK clearers or whether the paralysis which grips them has set in too deeply for that. If the latter is true other businessmen facing the same problem may like to know that they are free to go beyond the UK for their banking just as for their car or their refrigerator.

Andrew Michell,
chairman,
Michell Instruments,
Cambridge CB4 1SS

From Mr Ben Coleman.

Sir, Bouquets to Mr Eddie George for telling the big four banks to support small business more. Brickbats to Mr Kenneth Clarke for wasting the time of his economic secretary, Mr Anthony Nelson, by telling him to explore the relationship between finance and business ("Clarke pledges review of funding for industry", September 10).

A committee set up by the then prime minister, James Callaghan, and chaired by the then Sir Harold Wilson examined precisely this issue. Its 1979 report, *The Financing of Small Firms*, is available from HMSO and is still relevant.

Although the recommendations led directly to some of the "innovations" of Mrs Thatcher's early time in office (notably the Loan Guarantee Scheme and the Unlisted Securities Market), many of the same problems remain. Shortage of low-level capital and the ease with which banks can pull the rug are chief among them.

What we need now is action of the sort Mr George is taking, not another inquiry.

Ben Coleman,
14 Boscombe Road,
London W12 9HP

End 'free' petrol perk

From J M F Padovan.

Sir, During the current controversies regarding our crowded roads and British Rail's revenues, any suggestion which could alleviate both situations and which should suit transport and environment lobbies as well as the Exchequer deserves to be looked at seriously.

Many businesses still provide unlimited free petrol for their employees. Where this is done, a flat rate of tax benefit applies (just £300 a year is payable on an average car, even assuming higher rate tax). Clearly, an employee in this situation is encouraged to use his car excessively – for leisure and to drive to and from work, thereby adding to road congestion during the morning and evening rush hours. This mileage is in effect "free", whereas the same employee would have to pay out of his own pocket for a season ticket if he chose to commute by rail or other public transport.

The alternative is very simple: an employee pays for all his fuel and merely charges his employer (normally about 9p a mile) for genuine "business" miles. I believe the provision of "free" petrol, particularly with the current subsidy, should be made *illegal* in the autumn Budget.

J M F Padovan,
61 Cleaver Square,
London SE11 4EA

If it's good enough for teachers, it's good enough for MPs

From Mr C G C Tite.

Sir, The government is busily abolishing the minimum wage and you report education secretary, John Patten, as rejecting the teachers' current pay claim on the basis that "students are queueing up to be teachers" ("9 per cent choose teaching as their first choice of career", September 21). Is it not time, therefore, to adopt a similar approach to MPs' (and ministers') pay? There is, after all, no shortage of candidates for election to parliament or appointment to ministerial office.

Why should there be a statutory minimum wage for these posts, which also carry regular increases? Candidates should be asked to state, before election or appointment, what salary they require: electors, etc., would then have the chance to consider cost as one among the factors influencing their choice. Moreover, assessment of performance would be introduced to parliament: it is quite apparent that some MPs work harder than others. Considerable savings might well result. Government might conceivably become more efficient. Or is competitive tendering and performance-related pay only for others?

Colin G C Tite,
12 Montagu Square,
London W1H 1RB

The reality for miners represented by unions in American pits

From Mr George S Shiflett.

Sir, Robert Taylor's description of the US mining industry, Peabody's role in it and the strike being waged by the United Mine Workers of America ("Hanson unions plan worldwide link-up", September 9) unfortunately creates a picture at odds with the facts.

Rather than "setting the pace for non-unionism" as Mr Taylor reports, Peabody Coal Company and our affiliate, Eastern Associated Coal Corp, are attempting to preserve our union-represented mines in the face of increasing competition from non-union operations. All of the miners employed by the two companies, it should be noted, are members of the United Mine Workers (UMWA).

The reality facing union-represented miners in the US is clear and straightforward: if mines employing UMWA members are going to continue to exist, they must operate under a contract that enables them to be cost competitive with non-union mines. That is precisely why the multi-employer bargaining group of which Peabody Coal and Eastern Associated are members, the Bituminous Coal Operators' Association (BCOA), has offered proposals to the union that would increase competitiveness and, at the same time, expand job opportunities for union-represented miners.

The need for competitiveness is readily apparent when you look at the US coal industry's employment and production figures. Today, non-union operators produce 70 per cent of the coal and employ 60 per cent of the miners – quite the reverse of Mr Taylor's description of "an industry where two-thirds of the 100,000 miners are still organised".

Finally, Mr Taylor's reference to Peabody as "the leading negotiator for the mine owners" does disservice to the BCOA. It is important to understand that each member of the BCOA's four-person negotiating committee has an equal vote; further, BCOA's lead negotiator is from another coal company - not Peabody.

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FINANCIAL TIMES
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Nafta passage in peril

LAST WEEK President Clinton launched his campaign for ratification of the North American Free Trade Agreement (Nafta), with a finely choreographed event involving three ex-presidents and a speech that rose magnificently to the occasion. Here was a Democratic president, leader of the party within which most resistance to the agreement can be found, setting out firmly and clearly the reasons why that resistance is so utterly wrong-headed. At last, one felt listening to him, the administration is going to give this issue the priority it needs.

Yet by the end of the week the presidential propaganda machine had already moved on to beat the drums for healthcare reform. That is an important issue, but unlikely to reach decision point before mid-1994 at the earliest. By contrast a decision on Nafta is needed by the end of this year, and as things stand the decision is more than likely to go against it. One speech is certainly not enough to undo the damage done by Mr Ross Perot in whipping up hysteria on the issue.

Precious time was lost between Mr Clinton's inauguration last January and the signing in mid-August of "side agreements" on labour and the environment, which he had promised to secure during his election campaign. From a strict free trade point of view, these agreements actually reduce the attraction of Nafta, since they forbid further unilateral deregulation in these areas by any of the three signatories (Canada, Mexico and the US).

Worrying parallels

The object of the side agreements is, of course, to pacify powerful lobbies in the US, whose anxieties Mr Clinton shares or at least claims to share. The exercise is similar to the "clarification" of the Blair House agreement on agricultural trade, which the EC has now agreed to seek in order to save the French government from the wrath of its farm lobby. Indeed there is a worrying parallelism between the US attitude to Nafta and the French attitude to Blair House: both have come to be seen as symbolising all the demons that threaten national living standards and a cherished way of life, although in both cases the likely economic effect is quite small.

It would be helpful if all discussion of Nafta in the US began with a reminder that the whole Mexican economy is no bigger than the amount by which the US economy grows in two average years, and then proceeded to point out that US imports from Mexico are already virtually unrestricted. The next point to note is that, even without Nafta, deregulation in Mexico has already turned a US deficit on bilateral trade of $5.7bn in 1987 into a $5.6bn US surplus in 1992. The "giant sucking sound" of jobs moving south, with which Mr Perot has terrorised American workers, should be drowned, in any rational universe, by the noise of new factories being built in the US to supply the Mexican market.

Strategic centrepiece

Nafta is not a zero-sum game. It should result in a net increase in employment on both sides of the Rio Grande (and indeed of the 49th parallel). But, while the short-term gains might well be greater in the US, the agreement's political importance to Mexico can hardly be exaggerated. President Carlos Salinas de Gortari has made Nafta the centrepiece of his liberalising strategy, which reverses all 20th-century Mexican traditions and is still bitterly contested both outside and (more discreetly but also more dangerously) inside the ruling party. US rejection is likely to derail this strategy. That should be a matter of acute concern to Americans, right across the political spectrum. The last thing the US needs is a southern neighbour sinking back into economic stagnation and political instability, from which ever growing numbers would flee northward.

Republican congressmen and senators should not let partisan feeling, or dislike of the side agreements, dissuade them from voting for an agreement which remains a great achievement of their party. Mr Clinton, for his part, must not fall into the trap of thinking that, having at last made his own position clear, he can now afford to move on to other issues. This one requires all his persuasive powers, and if it goes wrong it will be a sad victory for the forces of irrationalism, leaving little hope that the US will grasp the more difficult nettles of freer trade with Europe and Asia.

Slippery art of central banking

IMAGINE THIS scene: US Federal reserve chairman Alan Greenspan, Bundesbank president-elect Hans Tietmeyer and Bank of Japan governor Yasushi Mieno, huddled together this week in a Washington bar, taking a break from a gloomy International Monetary Fund meeting to compare notes on the art of modern-day central banking. Pleasantries dispensed with, drinks ordered, the conversation would turn quickly to a three-way moan. Never has the art of central banking been so difficult.

Mr Greenspan probably has the most delicate task at present: to decide when to raise US interest rates. Some observers argue that the weak US recovery, and the sluggish rate of broad money growth, argue for delay. Others, notably the monetarist Shadow Open Market Committee, fear that double-digit growth of narrow money spells inflationary danger and want higher rates now.

In Japan, life is a little easier. All the indicators – falling output, sluggish credit growth, and a badly damaged banking sector – argue for a loose monetary policy, hence Tuesday's 0.75 percentage point cut in the discount rate to a record low. But Germany's situation is again more complicated: rapid broad money growth argues for a tight monetary policy, but almost every other indicator says that this policy is feeding Germany's lingering recession.

Erratic behaviour

All three central bankers are trying to make policy at a time of exceptional uncertainty in the world economy. Forecasters have consistently missed the strength of world deflationary pressures: analysts have therefore failed to spot how low short-term interest rates would need to go in the US and Japan, or the way in which this fall in the return on cash would feed stock and bond market rallies; and economists have failed to explain the erratic behaviour of monetary aggregates, both in the US and Germany.

The normal indicators upon which monetary policymakers rely are, as a result, difficult to understand, let alone use as reliable guides to policymaking. Should Mr Greenspan worry about narrow or broad money growth? How far can estimated real interest rates guide future policy? Does the bond market rally mean that inflation is under control, or that these markets are heading for a fall? Why does the yen fall against the dollar when the Bank of Japan cuts interest rates, but the D-Mark rise when the Bundesbank does the same? Can the Bundesbank be sure that the old relationship between money and nominal output still holds in Germany, despite the shock of monetary unification, when it does not in the US?

Eclectic fashion

Modern central bankers have never been more aware how damaging their errors can be. But, having chosen or been forced to drop their monetary or exchange rate targets, they appear to have little option except to use a range of monetary indicators in eclectic fashion. Still, there are principles that the three central bankers should bear in mind.

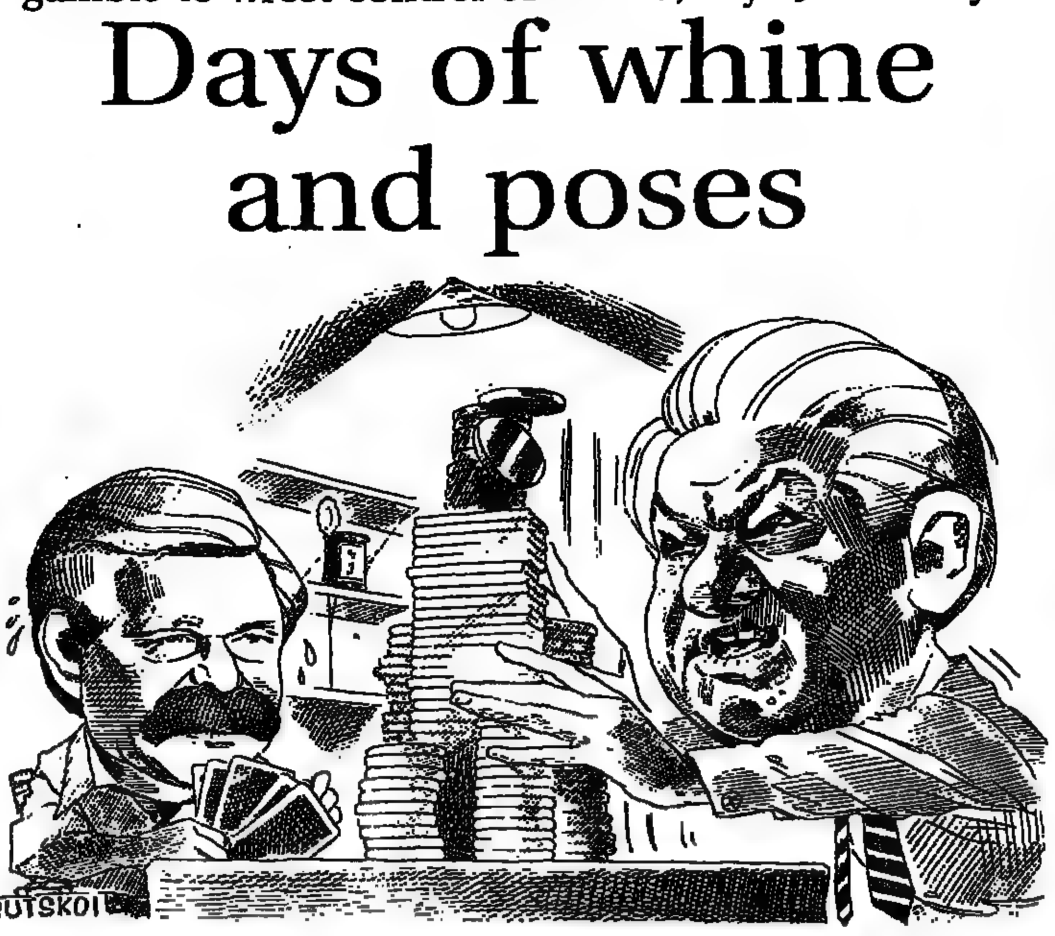
First, central banks, especially independent central banks, must explain what they are doing and why. In this regard, Mr Greenspan has been a relatively impressive Fed governor. Mr Mieno's approach has been rather more oblique, while some recent indications by the Bundesbank of its policy intentions have been confusing, at best.

Second, central banking is a forward-looking art. Long lead-times mean that policy today must be appropriate for economic conditions in a year or more's time. Mr Greenspan, mindful of parallels with the 1930s depression, was right to cut US interest rates early and aggressively, but the test of his dexterity will be whether he has the courage to raise rates again before clear inflationary signs emerge. The Bank of Japan, stung by its failure to prevent asset price inflation in the late 1980s, has eased policy too late and too slowly. Precedent suggests it will raise them again too late.

As for the Bundesbank, still unhappy about the recent terms of monetary unification and very aware of Germany's inflationary history, it must guard against the temptation to fight yesterday's battles today. History can be a useful supplement to current information. It can also be a debilitating straitjacket.

Yeltsin and Rutskoi are staking out their positions in a gamble to wrest control of Russia, says **John Lloyd**

Days of whine and poses



"If the next few days are calm", said Mr Yegor Gaidar, now back as first deputy prime minister with a presidential "coup" in his in-tray as well as an economic crisis, "and there are no confrontations, then the situation should stabilise".

Day one of presidential rule has gone to Mr Boris Yeltsin. After the grand theatre of the swearing-in of General Alexander Rutskoi as acting president in the Russian parliament early yesterday, an anticlimax was palpable. The military pledged continuing support to the president: General Pavel Grachev, the defence minister – not an enthusiast for Mr Yeltsin's decision – assured him yesterday of the "full" support of the armed forces; General Valery Mironov, the deputy defence minister, speaking in the General Staff academy, said he had spent Tuesday night calling regional commanders, to find that "most" serving officers viewed politics as something to avoid. But to be safe, he had banned all political meetings in army units, and believed his orders were being obeyed.

There are demonstrations, but they are small. The parliament's supporters gathered outside the White House are elderly, or young-thuggish, or drunk, or a little daft: there are few respectable citizens and almost no enthusiastic youth, as there were, in large numbers, on the days and nights of the August coup in 1991. The cabinet of ministers has suffered only one defection – Mr Sergei Glaziev, the young minister for foreign economic affairs – who, colleagues said, had wanted to go primarily because he could not work with Mr Gaidar, and not because of his stated reason that he could not accede to the president's decree.

In the regions, most administration leaders and even some heads of local soviets (councils) are voicing support for Mr Yeltsin. It is often lukewarm: Mr Boris Nemtsov, the reformist governor of the industrially important Nizhny Novgorod region, said local people had better things to do than worry about what was happening in Moscow. No matter (for Mr Yeltsin) – indifference is fine, only active opposition need worry him.

Mr Yeltsin has a plan for "step by step" reform, which is beginning to be set in train. Elections are to be called for the new parliament on December 11-12: the country will be governed by presidential decree and government decisions for the next eleven and a half weeks. During that time, the standing constitutional convention will be convened to discuss and pass Mr Yeltsin's variant of the constitution – which, once agreed, will be put to the newly elected parliament for approval as its first duty.

Parliamentary commissions organised by the government (constitutionally, commissions have fallen under the jurisdiction of the parliament) are now being set up with the assistance of the regional administrations – who were told yesterday by Mr Viktor Chernomyrdin, the prime minister, that their leaders would be held personally responsible for carrying out the decree Mr Yeltsin signed last night.

Elections will take place only to the lower house of the new Federal Assembly – that house to be known as the State Duma. Mr Vladimir Shumelko, also brought back in his former role of first deputy prime minister, said yesterday it had been decided that 270 of its 400 deputies would be elected from single member constituencies, with a further 130 elected by party lists. This last measure will give fledgling parties a role, and a lever for exerting party discipline.

The upper house, or Council of the Federation, will not initially be elected. It has already been created as a standing advisory body, and is and will be composed of the leaders of the regional and republican administrations and soviets – thus being transformed into the senior legislative chamber. Pressed for his view, Mr Gaidar said yesterday that he expected this body would in the course of next year also be elected – and that there would be presidential elections, as Mr Yeltsin has indicated, in that period. "It is step by step, step by step," repeated Mr Gaidar like a mantra.

Three main dangers confront Mr Yeltsin and his government in the weeks ahead, before elections allow the people to speak. First, that Mr Yeltsin, as was his wont after the August 1991 coup and again after the April 1993 referendum, may fritter away his advantage in inactivity and unfocused activity. He has prepared relatively carefully for this juncture – making sure of the allegiance of the armed forces, progressively diminishing his vice-president, and last week bringing back Mr Gaidar. He must now push through action on every front – political and economic especially, but also on what might be called the public relations level, appearing as the relaxed and paternal president who offers no threat to anyone except the malevolent. (He did some of this yesterday, with a little walkabout through central Moscow with his interior minister, Mr Viktor Yerin, in tow.) His health and his attention must both hold steady – and most of all, his will.

Second, he may act, but wrongly. He is no economist: though understanding the difficulties and prepared to address them, he is also a populist by instinct and prone to throw money at problems. Mr Gaidar observed yesterday that a pre-election period was not the most promising time to expect discipline in economic matters. Mr Yeltsin – and his political advisers – will find their sense of what is economically right severely tested in the weeks ahead as they seek to have elected a parliament which will find their policies acceptable.

Third, and most seriously, Mr Yeltsin may act, and act wisely – but in doing so store up such a pressure of protest as to threaten his own position and that of the government. Parliament was more than inconvenient for him – it posed a direct challenge to his authority and to his decisions. It could hardly be otherwise in a political system where the division of powers was not defined and the natural belief of many, perhaps most, of the deputies was in the necessity for the state to intervene, to plan and to control, in order to address the problems about which their constituents complained and which they themselves could so clearly see about them.

Parliament was a great, even threatening, pain and obstruction, but it was a vent to opposition and to grievance. Its abolition – or rather, its transformation into a parallel power – could give grievances that have remained rhetorical so far a militant, even armed, character. There were uniformed men toting Kalashnikovs in the White House yesterday, and Russian reporters said that plainclothed young men were carrying them last night.

Gen Rutskoi has appointed three anti-Yeltsinites to the posts of ministers of defence, security and interior. His defence minister, General Vladislav Achalov, ordered military cadets with side-arms to report to the parliament to protect it and was thwarted by Gen Grachev – but will presumably try again, as will his colleagues, to give their paper authority real weight.

A package of economic measures is being prepared by the government; if these are to address the central problem of inflation, they will mean cuts in the budget, and thus in social programmes, and in funding to enterprises. None will be without social costs. If they are to be pushed through before the election – Mr Yeltsin and his government may decide to hold off in this period – there will be real, legitimate grievances to deal with. But how? How tolerant can even a temporary autocrat be? How far can he discriminate between grievance and attempts to destabilise, even overthrow him? And how far can he count on moderation from leaders of nationalist and communist groups who have nothing to gain from acquiescence to his will?

Day one of this new and febrile era may thus be a harbinger of a relatively peaceful transition period to real elections – or a pause before the opposition forces, which include Gen Rutskoi, Mr Ruslan Khasbulatov, the parliamentary speaker, Mr Vladimir Isakov and Mr Sergei Baburin, leaders of the communist-nationalist movements, and others who are energetic, resourceful and do not lack allies, make their plans and whip up organised revolt on the fertile soil which an impoverished and fearful population offers. Mr Yeltsin, against the judgment of many in his entourage, has made a break for a new order: the old one is far from dead.

Late payers should pay the price

PERSONAL VIEW

The government is to review how UK industry, and especially small business, is financed. There is one important and simple step that could be taken immediately. It needs to ensure that commercial debts are paid on time. Because late payment of debt is so entrenched in British culture, this can only be achieved by reform of the law to provide for a statutory right of interest on overdue business debts. Such reform would contribute to investment, expansion and job creation.

The problem has existed throughout my working life. In my early days at the Bar, actions for the recovery of debt formed part of my livelihood. From the moment I joined National Westminster Bank, our business units in all parts of the country have consistently told me of the havoc which the virus of late payment has caused many medium-sized and small businesses throughout the recession.

Research has confirmed these reports. One recent study told us that at any one time at least £15bn-worth of trade debts to small and medium-sized businesses were overdue. This translates into a daily additional interest charge of more than £4m.

The problem seems a peculiarly British one. Many other countries already provide an automatic right to interest on overdue payments. A recent study revealed that payments in Germany are on average made two and a half times more promptly than in the UK.

The present state of British law makes no sense. If a business chasing a debt commences legal proceedings, a right to interest then dates back to the date on which payment was due. But without legal proceedings, in the absence of a specific contractual term, there is no such right. It is now 100 years since the judges of the House of Lords suggested legislation could be enacted to remove this anomaly. Judges have rightly described the present law as unjust.

The problem hits small businesses hardest. These businesses account for 17 per cent of gross domestic product. Perhaps even more significantly, they provide 35 per cent of private sector employment. They are, despite the effects of the recession, a dynamic sector of the economy which we must foster during the recovery.

Small businesses are more heavily dependent than large ones on borrowing to finance working

Too many businesses consider it acceptable, even astute, not to pay their bills an time

capital. They have a minimum of administration, and the burden of chasing late payment is a distraction for management. Sometimes they are part of a vicious circle, forced to pay late because they are not being paid by their customers.

Government and industry acknowledge the problem. In the last Budget it was proposed that public companies should disclose their payment terms in their accounts. The Confederation of British Industry introduced its payment code more than a year ago, yet still many businesses and, indeed, sometimes central and local government, fail to comply properly with their contractual obligations.

I believe the root cause of the problem is cultural. Too many businesses consider it acceptable, and some even consider it astute practice, not to pay their bills an time. Lack of sanction against conduct of this kind positively encourages such behaviour.

I sense a wider recognition that legislation is now needed to change the culture. More business groups, such as the Forum for Private Business, are arguing for a right of interest, and an increasing number of banks supports the idea. A recent cross-party survey of MPs suggested that 83 per cent thought the time had come for a statutory right to interest on debts paid late.

What are the objections? Some say there is no point in encouraging litigation or clogging up the courts. I do not see this as a likely effect of any change. What it would do, as has legislation in the equal opportunities and race relations fields, is give a strong impetus to a change in culture. An automatic right to interest would act as a practical disincentive to late payment.

It is sometimes also said that dominant purchasers would respond by extending the credit period. Some might try to, but if large suppliers adopted this cynical tactic, adverse publicity would quickly flow. Neither would compliance impose an inappropriate burden on business. Only those that failed to honour their obligations would suffer a cost.

Such a law could operate simply and clearly. There is a clear precedent in the Inland Revenue's right to interest on overdue tax. There is surely the same basic fairness in ensuring contractual debts due to businesses are paid on time or, if not, that compensation is made.

Lord Alexander of Weedon QC

The author is chairman of National Westminster Bank

OBSERVER

Paying the piper

■ Impoverished east Germans tuned into Norddeutscher Rundfunk radio station yesterday to hear the cheerful tidings that the 46 directors of the Treuhand agency were allegedly earning DM379,000 apiece, just DM51,000 less than Chancellor Helmut Kohl.

At DM242,000 with cars and housing thrown in, the 135 heads of department are apparently not exactly on the breadline either.

In the popular mind, the agency charged with privatising and restructuring east German industry goes down as the *fons et origo* of almost every conceivable economic ill in the region.

In fact, its officials work incredibly long hours, putting up with all manner of criticism, particularly should they appear to be flogging cheap east German enterprises to their plutocratic western friends.

But tell that to the average citizen, let alone the 35 per cent of the labour force that are either without work or on job creation schemes.

No doubt relieved that the end of its task is in sight – the agency is due to be wound up some time in the middle of next year – the Treuhand spluttered yesterday how it was "totally incomprehensible why NDR has released these sorts of figures which are simply not right".

Hacked down

■ The latest victim of hubris, the pride that comes before a fall, is Britain's Liberal Democrat party.

Boasting of its high place in national attention, its president Charles Kennedy cited as evidence that more top newspapers' political editors had gone to the party's Torquay conference than had opted to accompany John Major to Tokyo. That was on Monday.

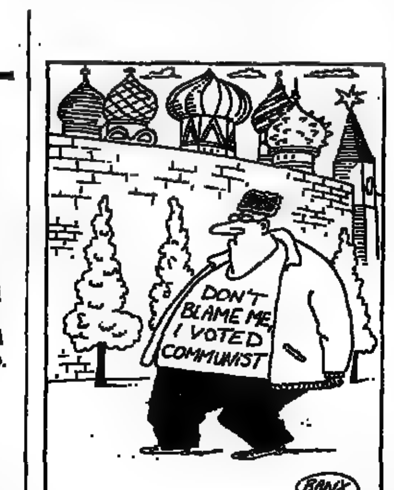
Alas, today, by the time party leader Paddy Ashdown rises to make his big speech, many if not most of the said high hacks will be gone elsewhere. So, moreover, will be one of the Lib Dems' grade-1 eggheads, Lord Holme – although he, at least, isn't being drawn away by rival political attractions.

He is jetting out of Torquay to Prague for the opening of an English college for Czech students.

Face of fortune

■ The Fates have looked kindly, however, on the birth of the Labour-supporting quarterly journal, New Century, which is backed by the Unity Trust Bank, majority-owned by trade unions.

True, the magazine's planners might have picked a better time for the launch as far as public interest in leftist politics is



concerned. But they certainly struck lucky with the cover picture they chose well ahead for the first number – Boris Yeltsin.

Rods for his back

■ John Major may have been tucked away in Kuala Lumpur when Russia descended into turmoil – but he still managed to trump other western leaders as the first to back President Boris Yeltsin with a statesmanlike, even eloquent, response.

Back in London, the Foreign Office is crowing with delight – and not backward in claiming much of the credit. For it appears that Major's statements were the product of labours into the wee hours by Whitehall's two top Russia experts – the "two Rods" – who were on the PM's Asian trip.

Foreign policy adviser Sir Rodric Braithwaite returned to London only last year after four years as ambassador to Russia, while Roderic Lyne, one of Major's private secretaries, was head of what was then the Soviet department of the FCO between 1990 and 1992.

The PM, who has recklessly promised to dispense with speech-writers for the party conference, might at least ponder the value of shrewd advice.

Pardon

■ Anglo-French rivalries have flared up again – this time over the vexed issue of EC airline subsidies. At an EC hearing in Brussels last week on allegations of unfair infusion of public money into the airline business, Bernard Attali, the chairman of Air France, upset Sir Michael Bishop, chairman of British Midland, by insisting on speaking in French. Sir Michael – a persistent critic of government bale-outs for loss-makers in the air – insisted that this breached an informal agreement that participants would speak English. This, says non-linguist Sir Michael, is to save the cost of interpreters.

Unfortunately, Bernard's adherence to French meant that Sir Michael didn't know whether the Air France boss was for or against British Midland's line on subsidies. "I have a feeling, however," he adds, "that he may not have been on our side."

What a sell

■ A London banker on the phone to a senior treasury dealer in Moscow yesterday was discussing a series of bonds the Vnesheconombank (foreign economic affairs bank) plans to issue later this year. The bonds are in favour of CIS enterprises whose accounts the bank froze almost two years ago and some international financial institutions are apparently eager to trade these rather dubious bits of paper. Hence the disappointment of the banker in question on being informed that settlement and registration details had still not been finalised. "In any event," the dealer explained, "we have to clear our long position in presidents before anything is decided about the bonds."

High density

■ Interesting to see the Sony Pictures High Definition Center in California admitting that its appointment of Richard West as general manager is "a move to further solidify the management structure". Let's hope it won't now congeal its operations altogether.

FINANCIAL TIMES

Thursday September 23 1993

Congress urged to approve North American free trade agreement

By Nancy Dunne in Washington

MR MICKEY KANTOR, the US trade representative, issued a ringing defence of the controversial North American Free Trade Agreement yesterday and said an opportunity to secure another such pact would not happen for a generation.

Both Senator Daniel Patrick Moynihan, chairman of the Senate finance committee, and Mr Richard Gephardt, the House of Representatives majority leader, have hinted that the pact might win congressional approval if it were sent back to the White House for renegotiation.

If the trade agreement with Mexico and Canada failed to win congressional approval, "it will be our children negotiating the next Nafta", Mr Kantor said in a speech to the American Business Conference.

On Tuesday, Mr Gephardt announced his opposition to "this Nafta". Pro-Nafta legislators, however, said the trade pact could still win approval without his support.

Representative David Skaggs, a Colorado Democrat, declared: "Anyone who thinks we need to defeat this because there is something new and better coming down the road is living in a dream world."

Furthermore, US credibility as a trade negotiating partner is at stake, he and others noted.

Mr Kantor said he was optimistic about the chances for passing Nafta in the House and characterising the pact as the administration's top foreign policy initiative.

For years, the US has coped with Mexican tariffs, quotas and performance and production requirements. "Why in the world anyone would want to continue this unfair situation is frankly beyond me. What they are saying is 'Maintain the status quo'. Keep these unfair rules the same."

Turning to the Uruguay Round, Mr Kantor characterised French dissatisfaction with the US-EC farm trade pact, agreed last year at Washington's Blair House, as "an internal EC matter" in which the US would not get involved.

His hands-off stance will help Sir Leon Brittan, the EC commissioner in charge of trade, little when he arrives in Washington next Monday to request "clarifications" of the deal.

"I don't know what clarifications means," Mr Kantor said. "But my stomach starts hurting when anyone says they want clarifications of an already negotiated and signed agreement."

Mr Kantor said Uruguay Round negotiations in Geneva had been "moving quite well" although "the French, of course, have not helped the situation by raising this Blair House agreement – I think I'm putting it delicately."

He said US trade policy would focus more on Asia, where "we have not been as successful at building trade regimes around our relationship". The US has been "too Eurocentric in our policies" but it is now "dead serious about opening those markets".

Bank governor urges low key plan for currency stability

By Peter Marsh, Economics Correspondent

MR Eddie George, governor of the Bank of England, yesterday threw his weight behind UK government efforts to scale down the European Community's ambitions in economic and monetary co-operation.

Europe, he said, could return to currency stability through relatively modest arrangements organised by individual countries aimed at keeping inflation low.

Mr George also rejected suggestions by Mr Jacques Delors, the European Commission's president, that the continent should reintroduce exchange rate controls to curb the huge currency flows that precipitated a succession of ERM crises in the past year.

The governor's comments in a speech in London mark an attempt to fill the policy vacuum in European monetary affairs after last month's virtual collapse of the exchange rate mechanism.

Addressing the American Chamber of Commerce, Mr George indicated that other European nations could emulate Britain by introducing domestic inflation targets in place of fixed exchange rate linkages.

He was speaking as news emerged of a big narrowing of the UK's trade deficit with non-EC countries since Britain left the ERM a year ago.

Mr George said any new monetary arrangements devised in the wake of last month's ERM debacle would have to allow "each country to pursue [its] stability objective in its own way, taking account of its national circumstances".

The governor's remarks reflect the widespread scepticism across Europe that the continent is ready for any imminent return to the old "hard" version of the ERM based on keeping currencies closely tied to the D-Mark.

While national inflation targets would provide clear benchmarks for national policy, he suggested Europe could retain a semblance of monetary co-operation by organising some way to monitor these targets across the continent.

Mr George appears to think that the European Monetary Institute – a body to be set up next year in place of the existing committee of EC central bank governors – could take on this job. He said "an explicit commitment to achieve price stability in the medium term" across Europe would gradually help in the important goal of reducing big exchange rate movements among European currencies. Currency stability was vital in the long term since without this free trade would be impeded.

However, it was important to bring down inflation across the continent well before any effort to reintroduce the original form of the ERM, which was dramatically modified last month by allowing currencies to fluctuate by wide 15 per cent margins, rather than the old 2.25 per cent limits.

The governor suggested that some of the inflation and fiscal-policy targets devised in the Maastricht treaty could be used by individual governments in maintaining price stability.

"If [such targets] were consistently and successfully pursued by each individual member country that would go some considerable way towards delivering de facto exchange rate stability between member currencies in the medium term," he said.

Litigation threatens US accountants

By Andrew Jack in London

INSURANCE companies paid a net $185m to settle litigation claims against the largest six US accountancy firms last year, according to figures released yesterday.

The figures, from a confidential survey of the US firms, increased from net payments by insurers of $8m in 1991 and net receipts of $37m in 1990.

They show that the six big accountants paid a net $598m in legal costs, settlements and insurance premiums, or nearly 11 per cent of their total accounting and auditing revenues of $5.5bn. That rose from 9 per cent in 1991 and 8 per cent in 1990.

The information is being used as part of a campaign by Cease, the coalition to eliminate abusive securities suits, consisting of more than 400 accountants and US businesses lobbying the US government to restructure the legal system.

The firms surveyed are KPMG Peat Marwick, Coopers & Lybrand, Deloitte & Touche, Arthur Andersen, Ernst & Young and Price Waterhouse.

Mr Larry Weinbach, managing partner-chief executive of Arthur Andersen Worldwide Organisation, who has helped co-ordinate the campaign, said yesterday: "This is one of the most serious issues facing the accounting profession since its inception," he said. "Its future is in jeopardy unless we come up with some reasonable approach."

He warned that unless there was reform of the legal system, accountants would either be forced out of business or restrict their public-interest role by refusing to conduct audits of some companies. The rising trend in net insurance payments is echoed by the increasing cost and difficulty accountants are encountering in obtaining insurance.

Primerica bid for Travelers

Continued from Page 1

staff to 30,000 by the end of the year.

Few analysts yesterday predicted there would be much opportunity for co-operation between Travelers and existing Primerica operations, though the group could benefit by selling annuity and other life insurance products through Smith Barney's 10,500 stockbrokers.

Primerica's shares rose $⅝ to $46⅝ in New York at midday.

Yeltsin wins support

Continued from Page 1

proposed new Federal Assembly, which will replace the Supreme Soviet.

Mr Viktor Chernomyrdin, the prime minister, who confessed he had been "a bit frightened" by the prospect of life after Mr Yeltsin's decree, was in confident mood later yesterday after a conference call with most of Russia's regional and republican leaders. He said Mr Yeltsin had the support of nearly all of them.

General Pavel Grachev, the defence minister and Mr Viktor Yerin, the security minister, threw their weight behind Mr Yeltsin. "We are sure we are fully in control of the situation," said Mr Yerin.

The Defence Ministry issued a statement saying that Mr Yeltsin's finger was the only one empowered to touch the nuclear button.

However, Gen Grachev, speaking on Russian television news last night, sounded a note of concern over the possibility of attempts to divide the army between the rival centres of power.

THE LEX COLUMN

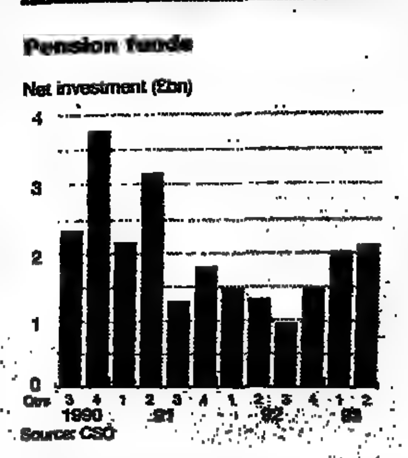
Tapping a liquid market

Of all the dogs which have failed to bark this year, the feared shortage of institutional cash is the most noticeable by its absence. With the stock market near record levels, it is difficult to argue that funding the public sector borrowing requirement has sucked the life blood of liquidity from equities. Unit trust sales are running at £1bn a month – and portfolio investment from overseas at four times that amount – so it is clear where the transfusion has come from. The worry is that neither source can be relied upon for support should the going get tough.

True, yesterday's CSO figures show UK institutional cash flow on a rising trend. Pension funds in particular will have more to invest as contribution holidays come to an end. The one-off costs associated with early retirement should also diminish as companies emerge from recession. It comes as no surprise that investment by pension funds was lowest in the dark days of last summer. Life companies will have plenty of free cash so long as sales of single premium investment products remain strong.

Even so, UK institutions cannot meet the funding requirements of both companies and government single-handed. Their holdings of cash and overseas bonds have already been run down in favour of equities and gilts. UK financial assets will simply have to be priced to attract overseas buyers. The lion's share of foreign investment goes into fixed-interest securities, so gilts are most likely to take the strain. The widening of the yield differential between gilts and German government bonds ahead of next week's auction suggests the market knows as much.

FT-SE Index: 3007.5 (+5.9)



Spring Ram

The amazing saga of Spring Ram's disappearing profits shows just how supple the phrase 'true and fair view' can be. The largest restatement of Spring Ram's figures relates to the unaudited first half figures for 1992. Nonetheless the adoption of different accounting policies by the level-headed new board has lowered 1992's audited full year figures by some 20 per cent. Some of the previous policies accepted by the auditors Arthur Andersen – most notably the depreciation rates which were related to the degree of use of the factories – border on the bizarre. And auditors who are being pressed too hard by managements to accept aggressive accounting techniques can always resign.

Some lessons are easily drawn. The abuse of half year figures suggests they should be subject to some kind of scrutiny. Perhaps audit partners should be rotated more rapidly so that a fresh pair of eyes is always on the job. Non-executive directors, significantly absent in Spring Ram's case, are a useful conduit through which auditors can express any qualms.

Whatever the accounting worries this was at least a partial victory for corporate governance. The campaign led by the Prudential deserves applause since it may have rescued a viable business before it slumped into irretrievable financial problems. Underlying it all, though, remains the fear that published accounts offer very little defence if a company is determined to see life through a rose-coloured profit and loss account.

Vodafone

There is something perverse about a mobile phone which is designed to be used at home. That seems to be the logic of Vodafone's new MetroDigital service which has been launched to rival Mercury's One-2-One. Vodafone is inviting users to nominate a home cell – some of which in London seem barely bigger than a broom cupboard – and calls within the home cell will be much cheaper than those made outside. By limiting the usefulness of the system's mobility Vodafone is trying both to tackle the cheapness and appeal of One-2-One while protecting the very high profitability of its national analogue network.

Its offer, however, lacks the simplicity and marketing appeal of One-2-One's headline-grabbing launch. Consumers already bemused by the technology may thus shy away from this overly fussy idea. Perhaps that is part of the idea. Vodafone's main interest must be in the pan-European EuroDigital system, on which MetroDigital is piggy-backed. To the extent that MetroDigital muddies the waters on pricing perception and spoils the impact of One-2-One it will help Vodafone's cause.

Consumers may, however, be deterred by Vodafone's use of third party salesmen while One-2-One is sold directly by Mercury. Yet if the initial enthusiastic response to One-2-One is any guide, there is a large potential market out there. Whether Vodafone can capture enough of that to offset the erosion of its excessive margins on the existing analogue network is more doubtful.

Currencies

The political crisis in Moscow is causing much less worry in currency markets than the attempted coup of 1991. It would be gratifying if this were because the money movers have seen the limited relevance of an economy which accounts for barely 3 per cent of global output. The stock arguments for marking down the D-Mark in response to Russian uncertainty – the risk to German exports and of loan losses at banks – sound hollow. The banks are well provided against loss on any loans which are not already covered by export credit guarantees; trade with Russia dwindled long ago.

The brief downward lurch of the D-Mark may thus turn out to have been a buying opportunity. Certainly it offered France and other ERM countries a chance to rebuild their foreign exchange reserves on the cheap. Such purchases may continue to underpin the D-Mark for a while yet. So should the wide differential between German and US interest rates.

This is not to deny the psychological impact of the leadership battle in Moscow. Doubtless any violence which raised the spectre of mass westward emigration would send the dollar soaring again against the D-Mark. Arguably, too, German equities are vulnerable to correction with the DAX index at nearly 1,900. Their relative slowness to recover yesterday morning's losses suggests the market is still sensitive to the possibility of bad news. The dollar's longer-term recovery still depends, though, on robust economic growth in the US – and that is still far from being an established fact.

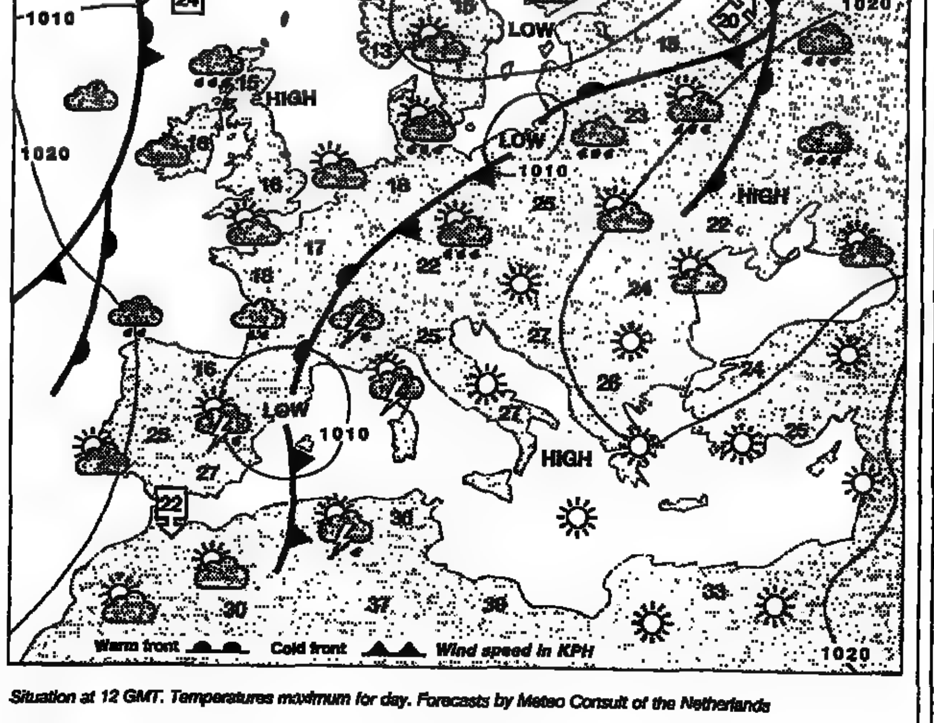
FT WORLD WEATHER

Europe today

Several disturbances will develop along a frontal zone from western Spain to the Low Countries, bringing rain to eastern Spain, France and Belgium. Thunder showers and heavy rain will fall over southern and central France, with possible flooding. Rain will spread east in the evening to northern Italy, the Netherlands and western Germany. Low pressure east of Finland will cause rain over northern Russia, south-eastern Finland, Poland and the Baltic States. Morning showers on the Norwegian coast will be followed by sunshine over Norway, Denmark and Sweden. Warm weather over central Europe will slowly spread to south-eastern Europe. Abundant sunshine will boost afternoon temperatures to near 26C over southern Italy and the former Yugoslavia.

Five-day forecast

A disturbance from France will track north and intensify, causing heavy rain over Alpine regions, the Benelux and the UK on Friday. This weekend, a wide frontal zone will produce rain over eastern Europe and the British Isles but a developing anticyclone will improve conditions over Scandinavia and northern Russia. Spain will have further rain and thunder showers next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	shower	32
Algiers	thund	34
Amsterdam	fair	18
Athens	sun	25
B. Aires	fair	16
B.ham	fair	17
Bangkok	rain	30
Barcelona	thund	21
Beijing	fair	24
Belfast	fair	16
Belgrade	sun	27
Berlin	cloudy	22
Bermuda	cloudy	30
Bogota	fair	18
Bombay	shower	30
Brussels	fair	18
Budapest	fair	26
C.hagen	shower	16
Cairo	sun	32
Cape Town	fair	17
Caracas	fair	28
Cardiff	fair	17
Chicago	fair	18
Cologne	cloudy	20
D' Salaam	sun	29
Dakar	fair	32
Dallas	fair	29
Delhi	sun	35
Dubai	sun	39
Dublin	fair	16
Dubrovnik	sun	28
Edinburgh	fair	17
Faro	fair	24
Frankfurt	cloudy	23
Geneva	thund	20
Gibraltar	fair	24
Glasgow	fair	17
Hamburg	fair	16
Helsinki	cloudy	14
Hong Kong	cloudy	30
Honolulu	fair	31
Istanbul	fair	22
Jersey	fair	17
Karachi	fair	33
Kuwait	sun	39
L. Angeles	sun	24
Las Palmas	fair	26
Lima	thund	20
Lisbon	fair	21
London	fair	17
Lux.bourg	cloudy	18
Lyon	thund	19
Madeira	fair	23
Madrid	thund	18
Majorca	shower	22
Malta	sun	28
Manchester	fair	17
Manila	cloudy	31
Melbourne	fair	15
Mexico City	fair	17
Miami	fair	31
Milan	shower	25
Montreal	shower	19
Moscow	rain	17
Munich	fair	25
Nairobi	fair	26
Naples	sun	27
Nassau	fair	31
New York	shower	24
Nice	shower	26
Nicosia	fair	30
Oslo	fair	16
Paris	shower	17
Perth	fair	18
Prague	fair	24
Rangoon	shower	28
Reykjavik	rain	11
Rio	shower	27
Riyadh	sun	40
Rome	sun	27
S. Frsco	sun	22
Seoul	shower	24
Singapore	cloudy	30
Stockholm	cloudy	14
Strasbourg	cloudy	23
Sydney	fair	18
Tangier	fair	23
Tel Aviv	sun	31
Tokyo	rain	23
Toronto	shower	19
Tunis	fair	30
Vancouver	sun	18
Venice	fair	25
Vienna	fair	25
Warsaw	shower	24
Washington	fair	26
Wellington	shower	9
Winnipeg	sun	18
Zurich	cloudy	23

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 23 1993

INSIDE

Spanish airline to close Miami hub

Iberia, the state-owned Spanish national airline, is considering closing its hub in Miami – less than two years after opening the centre. Mr Juan Saez, managing director, said that the possible closure of the hub was among a number of measures that the airline was studying in an effort to bring down costs. Page 16

No accounting for taste

The figures which Daimler-Benz, Germany's biggest industrial company, published in both German and US accounting language last week punctured the mystique surrounding German accounting. Daimler's shares now look more, rather than less, expensive ahead of the New York listing. Page 18

Hong Kong gets tough

A tougher regulatory line has emerged on the Hong Kong Stock Exchange. Regulatory opposition has blocked a number of moves – notably privatisations and asset injections – deemed to be prejudicial to minority shareholders. Page 19

UK housebuilder rises 81%

Barratt Developments, Britain's third largest housebuilder, reported a 81 per cent increase in full year pre-tax profits to £20.4m ($31m) and raised its final dividend. Page 21

Unit sale helps Tilbury Douglas

Tilbury Douglas, the construction group, lifted interim pre-tax profits from £6.98m to £12.8m, ($19.4m) with the help of a £6.78m profit on the sale of a subsidiary. Page 22

Firm base for pizza success

PizzaExpress sold more than 3m pizzas in the 134 days between coming to the market in February and its year-end on June 30, helping the company to post pre-tax profits up from £119,000 to £1.42m ($2.2m) for the year. Mr Peter Boizot, founder and non-executive chairman, said: "It's not surprising the company's done well since it's come from a good base." Page 22

Cuba sweetens sugar sector

The Cuban government is reorganising its agriculture to end shortages and help sugar farmers, who are recovering from a storm in March, which brought high winds and heavy rain, and flattened and flooded thousands of acres of canes. Page 24

Market risks from Russian turmoil

Political turmoil in Russia produced a strategy briefing on Tuesday evening from Morgan Stanley – "the further east, the greater the risk". Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Bancaire Cie	467.1	-	14.9
Varta	317	+	7	GTM-Entrepose	500	-	25
Falls				Legris	202.1	-	7.9
Asko Prf	575	-	13	Rhone Poulnc A	151.7	-	4.7
Bayer Vereinbk	501.5	-	12.5	Simco	552	-	16
Berliner Bank	395	-	13	**TOKYO (Yen)**			
Berliner Kraft	173.2	-	6.8	**Rises**			
KHD	112.5	-	4.5	Toshiba Elect	698	+	16
NEW YORK ($)				**Falls**			
Rises				Daicel Chemical	535	-	25
Primerica	46⅝	+	⅝	Hitachi Sales	590	-	23
QVC	59¾	+	3⅝	Niklcotsu	6	-	16
Texas Inst	78¼	+	3¾	Showa Aluminium	530	-	28
Viacom	58⅛	+	1⅝	Yuasa Corp		-	
Falls							
Bristol Myers	58¼	-	⅛				
Pfizer	60	-	⅞				
PARIS (FFr)							
Rises							
Eridania B-Say	816	+	18				

New York prices at 12:30.

LONDON (Pence)				Spring Ram	68	+	7½
Rises				Taylor Woodrow	121	+	8
ASW Hldgs	208	+	12	Waste Mngmnt	602	+	28
Barratt Devs	187	+	15	Wimpey (G)	177	+	8
Bluebird Toys	543	+	40	**Falls**			
Brit Airways	357½	+	11½	Aminex	49½	-	5
Grosvenor Inns	118	+	15	Berisford	391	-	16
Jacques Vert	146	+	11	Bodycote	292	-	12
More O'Ferrall	330	+	22	Booker	399	-	11
Morrison (Wm)	129	+	5	Dawson Int	197	-	11
N Ireland Elec	188	+	6	Herring Baker	58	-	10
Seecon Hldgs	194	+	9	Wates (City)	82	-	6
Shoprite	189	+	9				
Smkl Beecham A	425	+	18				

Telekom leads Hungarian bid

By Nicholas Denton in Budapest

DEUTSCHE Telekom, the state-owned German telecommunications company, has linked with Cable & Wireless of the UK and Ameritech of the US in a consortium to bid for at least 30 per cent of Matav, the Hungarian national operator.

This will be the one of the biggest privatisations in eastern Europe and the first sale of a telecoms utility, albeit of a minority stake.

The value of Matav, and the likely size of the bids, will remain unclear until the government's pricing formula is announced. Disposals of district telephone operations may eat into Matav's monopoly.

Washington-based International Technology Consultants value Matav at $3.3bn. Matav executives have quoted the figure approvingly, but bidders dismiss the estimate.

Privatisation advisers said that the composition of the consortium could alter in the run-up to the submission of bids next month.

Officials, consortium executives and advisers privately confirmed that C&W and Ameritech agreed to join under the leadership of Deutsche Telekom.

Other companies which bought the information memorandum for the privatisation are France Telecom, Italy's Stet, Japan's NTT, and US regional Bell operating companies Southwestern Bell and US West.

Telekom, C&W and Ameritech were regarded as strong individual bidders and rivals are concerned that their combination will be difficult to match.

A group led by Telekom missed winning a digital mobile telephone concession last month despite offering the highest concession fee at auction. Many in the industry suspect that the Hungarian authorities denied Telekom the digital cellular concession because they were "saving" the German bidder for Matav.

Mr Gyorgy Schamschula, Hungary's telecoms minister, rejected any connection between the cellular tender and privatisation. "I have to disappoint. There will be no advantage if someone was not among the winners [of the mobile concession]," he said. "We will accept the best offer," he said.

Nevertheless, the Hungarian authorities have to contend with industry speculation that Deutsche Telekom is the strongest contender and the danger that this will deter other bidders.

"It would be very bad for Hungary if there was only one group," said Mr Szabolcs Szekeres, chairman of the AV RT state holding company which owns Matav.

Mr Szekeres pointed hopefully to the interest and the financial strength of NTT, which "alone could swallow up Matav for breakfast".

UK bank wins Hungarian role, Page 16

Thorn shares fall on report of US curbs on rentals

By Michael Skapinker, Leisure Industries Correspondent

SHARES in Thorn EMI fell 11p to 977p yesterday on fears that profits could be hit by possible US legislation aimed at curbing the behaviour of staff at the group's American rental subsidiary.

The possibility of US legislation on the rental of white goods, furniture and jewellery was raised by a report in yesterday's Wall Street Journal alleging that Thorn employees used intimidatory tactics when carrying out repossessions.

Thorn EMI, whose interests include music and electronics, said last night that the claims would be investigated. It added: "Thorn EMI is in discussion with its US management about the allegations, which are being taken seriously."

The report added that customers taking advantage of rent-to-own offers at Thorn's Rent-A-Center stores in the US ended up paying far more for goods than if they had bought them at the retail price. Under rent-to-own, consumers become owners of goods if they keep up rental payments over a certain period. Only 25 per cent of Rent-A-Center's customers become owners of the goods they rent.

The report was largely based on evidence from former employees, some of whom had been dismissed by the group.

Some analysts defended Thorn, saying the US rental business provided an opportunity for poor consumers, with no credit rating, to acquire goods such as television sets, refrigerators and jewellery. One analyst said it was not surprising that a rental business operating in depressed areas of the US resorted to rough tactics for repossessions.

Several analysts said, however, that the publicity could only do the group harm and that legislation aimed at curbing the rent-to-own sector could damage Thorn's profits.

Rental provided Thorn with 30 per cent of its £379.3m ($584m) operating profit in the year to March 31 1993. The company is believed to have earned about 40 per cent of its rental operating profit in the US.

Analysts are worried by reports that Mr Henry Gonzalez, chairman of the House of Representatives Banking Committee, intends to introduce a bill next week classifying rent-to-own arrangements as credit sales. This could limit the credit Thorn's US rental business could charge. The committee, however, has been preoccupied with consumer protection against insurance companies and it is unclear how quickly the rent-to-own bill might move forward.

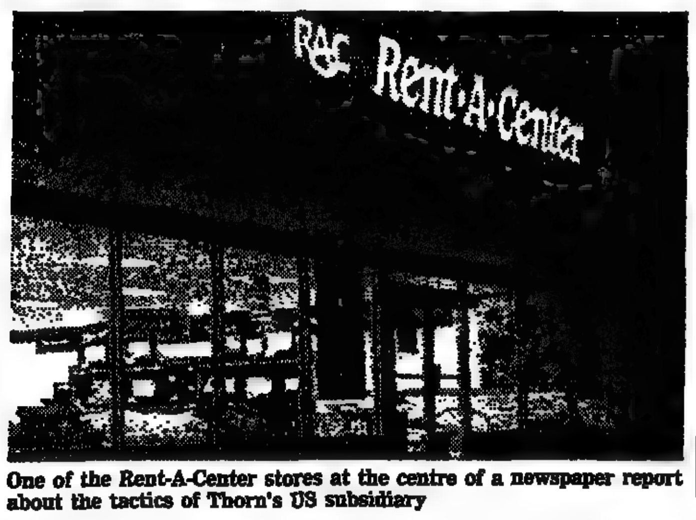
Mr Hamish Dickson, an analyst at Hoare Govett did not think the chances of federal legislation on rental were high. But, he said, if legislation were introduced, "my suspicion is that it would make it difficult to run the business".

Mr Bruce Jones, of Smith New Court, said: "Legislation could rip into their profits. It's not good to have this sort of criticism and it's not good to have this sort of legislation threatened."

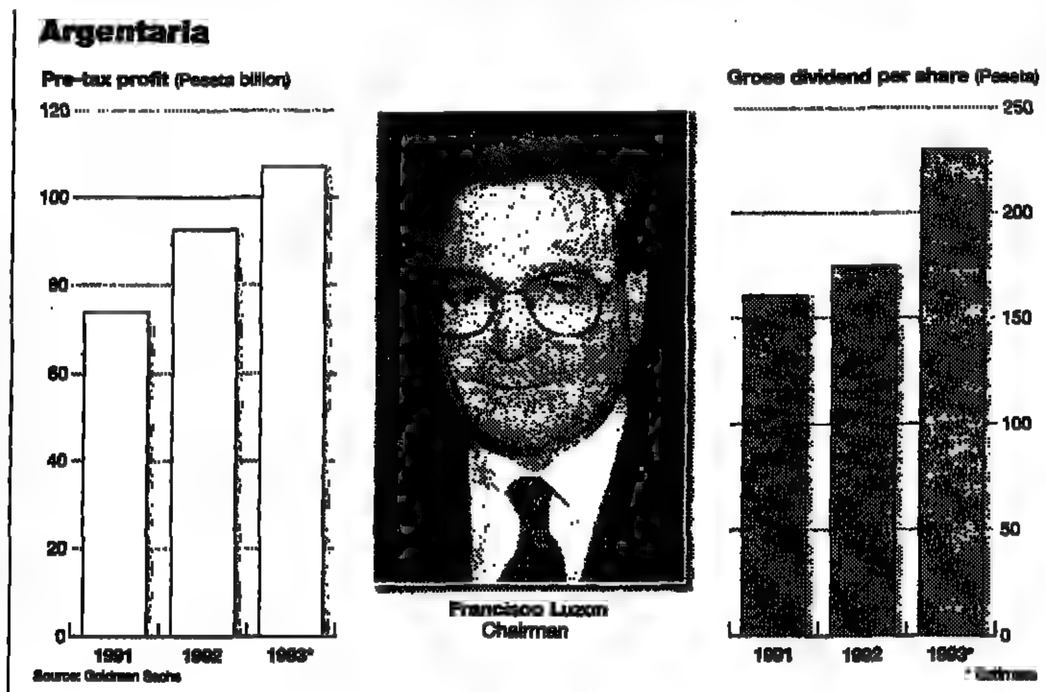
Mr Jones said prospects for Thorn's music business made him generally positive about the group, but pointed out that the US rental controversy came after other setbacks for the company.

Earlier this year, Thorn failed to sell its defence electronics business to the General Electric Company.

Earlier this month, the group warned that profits from security and electronics would be no greater this year than last and that the group's tax rate would increase.



One of the Rent-A-Center stores at the centre of a newspaper report about the tactics of Thorn's US subsidiary



Argentaria lines up banks to manage second issue

By Tom Burns in Madrid

MR FRANCISCO Luzon, chairman of Argentaria, the state-controlled Spanish banking group, will decide within two weeks which international investment house will receive the mandate for the bank's second issue of shares. Argentaria 2 is likely to be the choicest mandate out of Spain this year.

In May, Argentaria raised Pta120bn ($927.6m) when it issued 24.9 per cent of its shares. The government has given it the go-ahead to float a similar volume of its capital in an issue that is likely to raise more than $1bn and reduce state ownership of the group to 50.2 per cent.

Mr Luzon indicated yesterday that he had an open mind about which team should organise the issue of Argentaria 2. "The first issue was a success and worked very well," he said, "but that does not mean it has to be repeated in the same way. There is a lot of competition for the mandate," for which the fees alone could be more than $10m.

Front-runners for Argentaria 2 are Morgan Stanley (which was global co-ordinator of Argentaria 1 and lead manager for its US tranche) and SG Warburg (which, with the Spanish bank Banco Santander de Negocios, was co-leader of the UK tranche).

Morgan Stanley appears confident that as the two issues are so close – Argentaria 2 could be floated as early as November 7 – broad market practices will dictate an unchanged team and structure.

SG Warburg appears just as confident that its experience as co-ordinator of last July's third issue of British Telecommunications shares will count in its favour.

Mr Luzon believes that the simultaneous trading pioneered by BT is an attractive option. "BT was very bold and the tendency now for big share issues is clearly to globalise."

Argentaria 1 had five tranches covering Spain, the US, the UK, continental Europe and the rest of the world. Mr Luzon believes that this structure could be altered for Argentaria 2. "We have to have a domestic tranche and my minimum hypothesis is that there should be the Spain issue and an international one, just two tranches."

It is likely that 50 per cent of the Argentaria 2 issue will be aimed at the domestic retail market and the other 50 per cent at international institutions.

Argentaria 1 was heavily oversubscribed, particularly in the US, where demand was 11 times the amount floated, and in the the UK, where it was 12 times.

Whoever wins the mandate will have to share the role with the Spanish banking community. This was the case in Argentaria 1 when, in addition to the co-lead mandate with SG Warburg awarded to Banco Santander de Negocios, Argentaria itself acted as co-global co-ordinator with Morgan Stanley.

"I very much want Spanish banks to be active in the share issue," Mr Luzon said. In his promotion of domestic banks, he has his eye on European privatisations, where he believes Spanish institutions could become a force.

JVC and Hitachi face up to difficulties

By Michiyo Nakamoto in Tokyo

THE TROUBLES afflicting Japanese makers of audio-visual products were underlined yesterday by a profits downgrade from JVC and an announcement from Hitachi that it was closing its German video recorder (VCR) factory.

JVC, which developed the international video tape standard, said the prolonged recession in the market and the yen's appreciation had forced a revision of its profits forecast for the year to March 1994.

It now expects a pre-tax loss of Y25bn ($235.2m), rather than breaking even as it had expected in May. Sales are forecast at Y505bn, or 6 per cent below the Y540bn predicted earlier. On a consolidated basis, pre-tax losses are forecast at Y31bn rather than Y800m, on sales of Y700bn, down from a previously-forecast Y780bn.

JVC said it hoped it could in future make a profit with sales at the Y500bn level. To achieve this, it was reducing its staff by 2,000 by 1995 through natural wastage and not renewing contracts with part-time workers, moving its headquarters from Tokyo to Yokohama, and strengthening its sales force.

About 400 employees at headquarters and in factories are being transferred to sales.

Meanwhile, Hitachi's consumer electronics operations in Germany became the latest victim of Europe's sluggish audio-visual market, as the company announced it was closing its VCR manufacturing facility there.

The company said the strength of the D-Mark and weak European demand for audio-visual products had forced it to close the plant.

Production has declined to 13,000 units a month this year from a monthly peak of 45,000 units in 1989.

Last year Hitachi incurred a Y42.6bn loss in its consumer products division, which followed a Y14.6bn loss the previous year.

It also closed its VCR plant in the US, where it had been manufacturing 100,000 units annually, and moved production for the US market to Malaysia.

Hitachi plans to meet European demand for VCRs from its plants in the UK and, if necessary, Malaysia. But "the pie is shrinking", the company said, adding that the market remained extremely difficult.

Boardroom shake-out as Spring Ram announces loss

By Andrew Bolger in London

SHARES IN Spring Ram rose by 7½p to 68p after the UK kitchens and bathrooms group announced a boardroom shake-out and changes in accounting policy which revealed heavy losses and substantial gearing.

The accounting changes meant Spring Ram declared a pre-tax loss of £36.4m ($56.05m) in the six months to July, compared with a restated profit of £8.2m. The group, previously always believed to have net cash, also revealed that it had net debt of £34.9m, gearing of 39 per cent.

Mr Martin Towers, the new finance director said the previous management had used "very aggressive" accounting to maintain Spring Ram's high-growth record. Taking a more conservative line, the new regime had restated last year's profits, lowering the half-year total from £18.4m to £8.2m and the full-year total from £26.3m to £21.1m.

Mr Roger Regan, installed as chairman by disgruntled institutional investors in July, yesterday requested and received the resignation of Mr Bill Rooney, chief executive and founder of the Yorkshire company. Two other directors also resigned, Mr Ron Farr, chief executive of special products, and Mr David Riley, chief executive of the bathrooms division.

Mr Regan said the only executive member of the board at the time of his appointment to remain would be Mr Alan Bell, chief executive of the kitchen division. Mr Stuart Greenwood resigned as finance director prior to Mr Regan's arrival.

Asked about compensation for the departing directors, Mr Regan said he expected to hear from their solicitors, but he would take "a very hard line".

Price Waterhouse, the accountants which carried out a full financial review for Mr Regan, has been appointed as auditors to the group, replacing Arthur Andersen, which audited Spring Ram's 1992 accounts. Panmure Gordon has been replaced as stockbroker to the group by de Zoete & Bevan.

Mr Regan said he was "not in a position to give any indication as to the result for 1993," although he was encouraged by the group's robust sales.

He would contact Masco, the US building products group involved in preliminary discussions with Spring Ram in August about a takeover, to see if there was a basis for further talks.

Losses per share of 10.9p compared with restated earnings of 0.7p. The interim dividend was passed.

Lex, Page 14; Analysis, Page 21; Auditors' role, Page 21

Iberia may close Miami hub in drive to cut costs

By Peter Bruce in Madrid

IBERIA, the state-owned Spanish national airline, is considering closing its hub in Miami – less than two years after opening the centre from which it hoped to service routes to Central America and the Caribbean.

Mr Juan Saez, who was named as Iberia's new managing director in a management shake-up following the departure earlier this month of the chairman, Mr Miguel Aguilo, said yesterday that the hub was losing about Pta2bn ($15.5m) a year.

A firm decision to close it down would be taken in the next two weeks, he said.

Mr Saez said that the possible closure of the hub was among a number of measures that the airline was studying in an effort to bring down costs.

Iberia, he said, was on course this year to make operating losses of around Pta11bn.

The airline was finding competition from North American airlines too tough, Mr Saez said, and there was no point "fighting battles you cannot win".

A new cost-cutting programme – which would affect the airline's routes at home and abroad, and the size of its fleet – would be quickly implemented in order to bring those losses to zero by the end of this year.

Mr Saez said he recognised that this was an ambitious target.

The Miami hub was one of the most prestigious manifestations of Iberia's ambitions, developed under Mr Aguilo, to become the leading European airline serving the transatlantic routes to Spanish-speaking America.

As part of the same drive, Mr Aguilo bought large stakes in a variety of Latin American airlines, including Aerolineas Argentinas.

Mr Saez said that there were no plans to shed any of the assets bought in Latin America.

Like his predecessor, he believes that Iberia will be unable to escape the creation of larger airlines in Europe – through mergers or acquisitions – and that the carrier's large South American assets will lend it greater muscle when negotiating with potential partners.

However, Mr Saez said that there was no point in Iberia even talking to other airlines while it was still making heavy losses. It needed to finance the costs of fleet renewal, the South American expansion and the losses of the past three years.

"If Iberia is not capable of generating profits then its financial problems are unsolvable," Mr Saez said. Iberia would be in a position to talk to other airlines next year, he said.

Iberia's debts totalled some Pta300bn, Mr Saez explained, half of which was long term. He expected the airline to make similar losses in 1993 as in last year, when the company reported a pre-tax loss of Pta42.2bn.

The government injected Pta120bn into the airline last year and Mr Saez said he did not expect any more aid from the state.

Mersey Docks and Harbour acquires Medway Ports

By Ian Hamilton Fazey, Northern Correspondent

MERSEY DOCKS and Harbour Company yesterday clinched its purchase of Medway Ports for £103.7m ($157.9m), only 18 months after Medway was bought for £37m by management and employees.

The acquisition, which gives it a deepwater port in south-eastern England to compliment its Liverpool docks, will be funded in part by a two-for-five rights issue to raise £76.6m. It is offering 24m shares at 330p against a closing price last night of 376p, up 1p on the day.

The near tripling in value of Medway, a trust port until its privatisation in March 1992, reflects large cost savings achieved by management. It has halved the workforce from 600 at privatisation and introduced new working practices.

Some 270 of its 300 dockers took redundancy late last year. Medway now employs 100 dockers, bringing in contractors employed by other stevedoring companies for specialist work when required. The cut in costs contributed to a leap in operating profits to £4.5m for the first six months of this year on turnover of £17.2m, compared with £3.5m for Medway's first 10 months last year as a private company.

The deal values Medway's ordinary shares at £32.82 each for a total of £65.8m. Shareholders will also receive £4.43p in dividends for a total of £37.25p. Management and employees were granted shares and bought more at £1 each to help fund their buy-out.

Mersey Docks is also buying £15m of preference shares and taking on Medway's net indebtedness of £22.9m.

Sheerness is Medway's main port, specialising in cars, fruit, timber and paper. Mersey Docks specialises in containers, forest products, grain, scrap metal and oil, so the two expect to operate complementary marketing strategies.

Medway, which is forecasting minimum operating profits of £10.1m this year, said it intends to exercise a £2.25m option before September 30 to acquire the freehold interest in the former Royal Naval Dockyard at Chatham. The property has considerable development potential.

Mersey Docks, which says the takeover should enhance earnings next year, is forecasting pre-tax profits of at least £19m this year, compared with £15.2m last year, and a final dividend of 6.15p to give 9p for the year – a 20 per cent increase on 1992.

Recovery at Next sees profits rise to £23m

By Neil Buckley in London

NEXT, the fashion retailer that was an icon of the 1980s but came close to collapse at the end of the decade, continued its strong recovery yesterday, almost tripling interim profits to £23m ($35.42m) from £8.3m.

The pre-tax figures for the six months to July 31 outstripped analysts' forecasts of about £18m, and the shares increased 4½p to 206½p.

Mr David Jones, chief executive, said the improvement stemmed from better product quality and customer service as well as greater efficiency and lower mark-downs.

Next has also broadened its customer appeal, retreating from high fashion territory, and now aims to provide "good-taste, good-quality" products that are fashionable but durable.

Lord Wolfson, chairman, said Next was no longer targeted at "25-year-old Porsche-driving yuppies", but at "people who want a wardrobe which will last and not go out of fashion within months".

It has unified products across the high street and mail order divisions, leading to cost savings through bulk buying.

Total turnover was up 9.6 per cent to £233.2m, while the high street stores increased sales 16.2 per cent to £160.9m, from 1.8 per cent less selling space.

Next Directory, the catalogue division, lifted sales 3.8 per cent to £46.5m. Next said current trading at both divisions was up 10 per cent.

The credit operation Club 24 increased the contribution from its ongoing business from £2.2m to £2.8m.

Next shrunk from 305 to 298 stores, but has now finished its rationalisation programme.

Lord Wolfson said there was still considerable scope to improve the trading performance and that Next did not intend to rush into expansion or diversification.

The interim dividend was tripled to 1.5p, from earnings which increased to 5.5p a share from 2p.

Schroder Wagg wins sell-off role

By Nicholas Denton in Budapest

J. HENRY Schroder Wagg, the UK merchant bank, has been selected to advise on the privatisation of MVM, Hungary's electricity utility, the AV RT state holding company has announced.

MVM is Hungary's second largest company with net sales in 1992 of Ft 102bn ($1.1bn), on which it made profits of Ft 1.88bn.

Competition was vigorous for the advisory role in the last significant mandate in Hungary's four-year privatisation programme. Schroders was selected over Credit Suisse First Boston and Salomon Brothers.

CSFB and Salomon are among the most active western investment banks in Hungary, and Schroders' only previous government mandate has been to advise on the accelerated privatisation programme.

However, Schroders acted as lead adviser to the UK government on the sale of the water industry, and the firm's international experience in utility privatisation appears to have been decisive.

Advisers hope that the MVM sale can be completed next year, probably after elections scheduled for May.

Under present guidelines, the state will retain a shareholding of 50 per cent plus one, leaving a minority for privatisation. Advisers also judge that flotation is inappropriate, which suggests a trade sale.

Beyond that, the structure of the sale remains uncertain. Much will depend on forthcoming electricity market regulation and the outcome of the elections, which may result in a different government with a new approach to privatisation.

MVM is the last of Hungary's large state-owned utilities to take on a consultant.

Lazard Frères of France advised on the privatisation of the state oil company, MOL, earlier this year, and AV RT expects a sale in one or two years. Lazard Frères beat Schroders, Salomon Brothers and Kleinwort Benson to win that role.

Salomon is advising Matav, the telecommunications company, on the sale of a minority shareholding.

Bourse suspends CBR shares

By Andrew Hill in Brussels

TRADING in the shares of CBR, the Belgian cement group, was suspended yesterday on the Brussels bourse pending an announcement today.

Meanwhile, Société Générale de Belgique, the Belgian holding company which owns a 43 per cent stake in CBR, unexpectedly brought forward announcement of its interim results to today.

Analysts immediately speculated that La Générale was preparing to sell all or part of its stake in the cement company. Neither CBR nor La Générale would comment on yesterday's market developments.

La Générale has made no secret of its desire to reduce exposure to cyclical industrial stocks and has been seeking "industrial partners" for some of its main holdings. The Belgian authorities did not suspend the shares of the holding company. They rose BFr60 to close at BFr2,590.

CBR's shares were suspended at lunchtime yesterday at BFr11,475, against BFr11,250 at the start of trading. The shares will remain suspended throughout today's session. "If they're suspending CBR for more than a day, [the announcement] has got to be more than CBR buying something," said one analyst.

At the suspension price, CBR would be worth a total of more than BFr50bn ($1.45bn). Potential buyers would have to decide whether to buy out La Générale's stake at less than the market price, or pay a small premium and trigger a bid for the whole company.

Only this week, Lafarge Coppée, the French cement company, denied it was interested in CBR. Analysts believe other likely candidates include Holderbank of Switzerland, and Heidelberger Zement of Germany.

Currency changes take toll on BSN

By John Ridding in Paris

CURRENCY devaluation in some principal European markets prompted a 7 per cent fall in first-half net profits at BSN, France's largest food manufacturer, the company announced yesterday.

The group said that virtually all of the decline in net profits to FFr1.82bn ($322m) in the first six months of this year, from FFr1.95bn in the first half of 1992, reflected the currency impact of consolidating profits from countries such as the UK, Italy and Spain, which had seen their currencies depreciate during the period.

BSN also suffered as a result of reduced demand resulting from the recession in Europe.

The biscuit division, which saw operating profits fall from FFr485m to FFr339m, is undergoing a restructuring and is one of the company's principal areas of expansion in central Europe and Asia.

BSN said that biscuits would continue to be "the major element" of its development in these areas.

With the exception of beer, all of the group's other divisions – fresh produce, pasta, mineral water and packaging – suffered a decline in operating profits.

The beer division raised operating profits from FFr511m to FFr547m, while total operating profits for all of the divisions combined fell from FFr3.8bn to FFr3.44bn.

BNL reports 111% advance to L152bn

By Haig Simonian in Milan

BANCA NAZIONALE del Lavoro, the Italian treasury-owned bank, reported parent company pre-tax profits of L152bn ($96.9m) for the first six months of this year, a 111 per cent advance on the L72bn made in the same period last year.

Operating earnings, net of extraordinary items, soared by 94 per cent to L769bn, from L397bn in 1992.

Mr Giampiero Cantoni, chairman, attributed the rise largely to successful securities trading and higher volumes, and stronger earnings from the bank's fee-related business.

The latest figures should provide a stable basis for judging the future health of BNL, which is still shrugging off the 1989 scandal at its Atlanta branch.

BNL's results in the past two years have appeared highly confusing, owing to a profound reorganisation of its activities and transformation into a joint stock holding company.

● The Aga Khan has reinforced his control of Meridiana, the Sardinia-based regional airline.

The Aga Khan, who already has majority control of the carrier, has bought an additional 20 per cent from Ifint International, an investment group dominated by the Agnelli family, for an undisclosed price.

US group buys east German paper maker

DRESDEN Papier, one of eastern Germany's largest paper manufacturers, has been bought by Mercer International, of the US, to establish a foothold in Germany's expanding market for paper recycling and production, writes Judy Dempsey in Berlin.

The sale of Dresdner Papier, which last year recorded a turnover of DM141m ($87m), and produced more than 200,000 tons of paper, also means that the eastern state of Saxony is set to become one of the major centres for pulp, paper, and recycling production in the region.

Mercer International will invest more than DM80m over the next three years. The purchase price was not disclosed.

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Conference on Drinking Water, organised by the Commission of the European Communities in Brussels on September 23–24, 1993.

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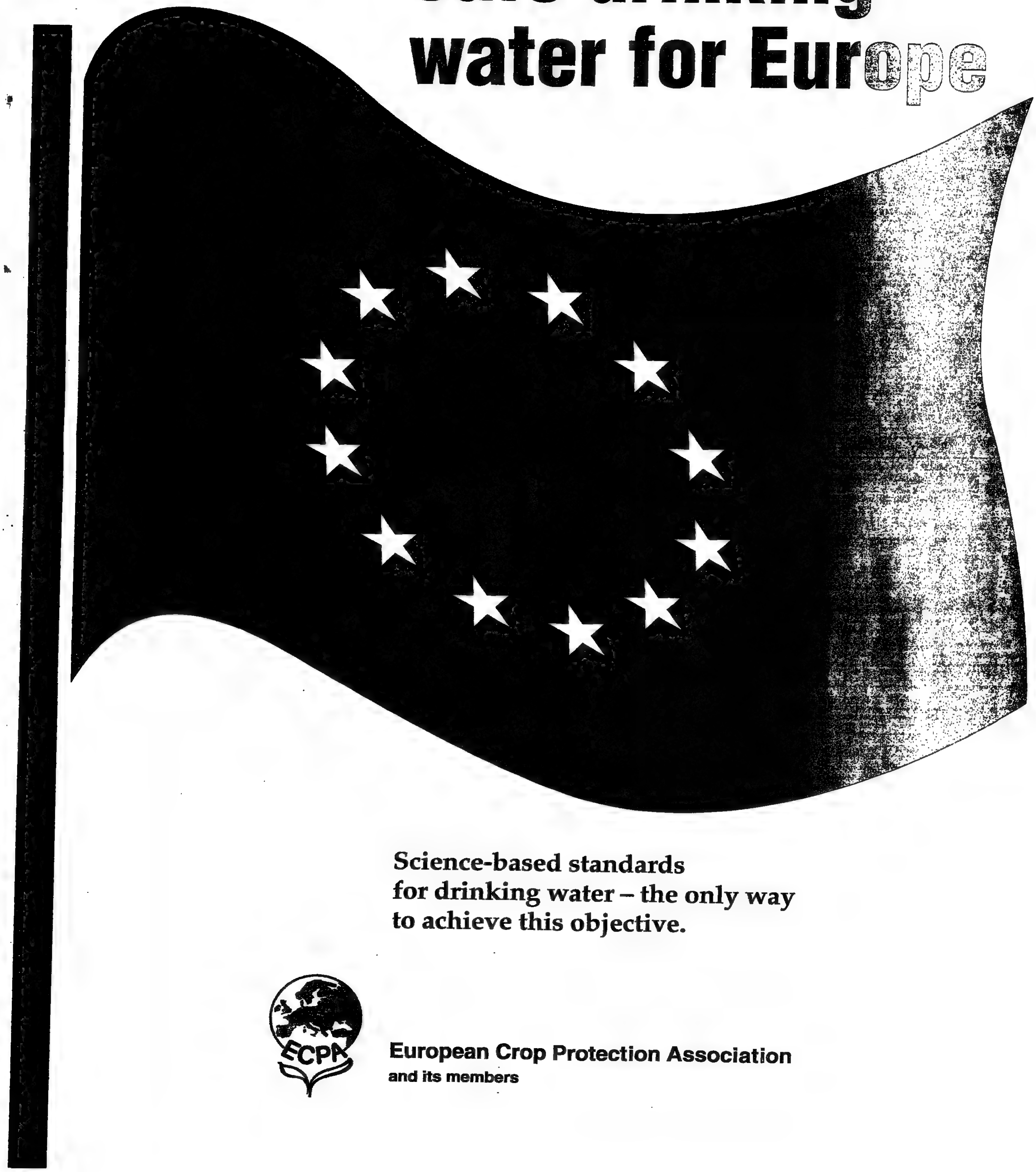
Safe drinking water for Europe



Science-based standards for drinking water – the only way to achieve this objective.

European Crop Protection Association
and its members

French retailing group in sharp six-month fall

By John Ridding in Paris

PINAULT-PRINTEMPS, the French retailing and distribution group, yesterday announced net profits of FFr189m ($33m) in the first six months of the year, a sharp fall from the FFr330m reported in the first half of 1992.

The company, which includes the Printemps department stores and the Conforama furniture chain, also suffered a decline in operating income, from FFr1.38bn to FFr938m in the first half. Sales fell from FFr35.38bn to FFr30.88bn.

The group described 1993 as a difficult year as a result of the recession in France. However, it said that retail operations had shown strong resistance to the economic climate and forecast an operating profit of more than FFr2bn for the year as a whole.

Pinault-Printemps said that financial charges had remained relatively stable during the period. The company forecast that its debt would be reduced to FFr18bn by the end of the year because of an estimated FFr5bn in receipts from disposals.

With respect to business strategy, the company said it would continue to focus on core activities and to reduce group debts. The sale of CICA, its car distribution business, to Jardine Matheson, earlier this month was described as an important step in this process.

The group denied it was considering a sale of Prisunic, its food retailing operation, but a spokesman said the company was examining the possibility of an alliance with "a large distribution group" in the sector to strengthen its food purchasing operations.

US mill plan by Canadian steelmaker

A THIRD Canadian steelmaker, Ipsco, has decided to build a mini-mill in the US at a capital cost of C$360m (US$272m). It will have annual capacity of 1m tonnes of light-to-medium plate and hot-rolled coil, writes Robert Gibbens in Montreal.

Ipsco, based in Regina, Saskatchewan, is western Canada's principal steelmaker with annual capacity of 804,000 tonnes of speciality products. It earned C$15.5m, or 98 cents a share, in 1992, on sales of nearly C$500m.

Co-Steel, of Toronto, has operated a mini-mill in the US for more than 20 years and has teamed-up with Dofasco, Canada's biggest integrated steelmaker, in a new mini-mill now being built in Kentucky. Ipsco has yet to finalise a location for its mill but it may choose Kentucky.

Armco sells Brazilian operations

ARMCO, the US steelmaker, has sold its Brazilian sheet and strip operations and will record a charge of $15m against third-quarter earnings from the sale and remittances of inter-company debt, Reuter reports.

Armco said it received net cash proceeds of $55m from the sale to the Brazilian unit's current management team.

The Brazilian company will purchase ongoing technical assistance from Armco's corporate research department for five years and will provide assistance to Armco in the sale of technical services to other companies in Brazil, Armco said.

It said the sale was a continuation of its strategy to focus on stainless and electrical steel and divest businesses that do not represent a strategic fit.

Trade starts in Grupo Tribasa on NYSE

By Damian Fraser in Mexico City

GRUPO TRIBASA, Mexico's second-largest construction company, started trading on the New York Stock Exchange yesterday after making an initial public offering of $263m in international markets, about a third of total capital.

The offering was priced at $15.50 per American depositary receipt (ADR), at the low end of the price range of $15-$17. One underwriter commented that, given the weakness in the Mexican stock market – which from September 8 to September 21 fell nearly 9 per cent – there was little option but to price the issue competitively.

The US took 50 per cent of the shares, Europe 30 per cent and Mexico 20 per cent. The underwriter said the offering was over-subscribed in all markets. If underwriters take up the option to buy more shares, the total value of the offering would rise to over $300m.

Tribasa is the second Mexican construction company to be traded on the NYSE, following in the steps of Empresas ICA, the country's largest construction group. The $15.50 price per ADR values Tribasa at about 9.3 times prospective earnings, against current value of around 10.3 for ICA.

Tribasa earned about 90 per cent of its revenues from the construction of Mexico's toll-roads last year, far more than ICA. With the road programme in some financial trouble, and the Mexican government unlikely to grant many more toll road concessions over the next year, Tribasa is keen to expand into other areas, such as building water and electricity power plants.

The company is planning to sell bonds backed by some of its more profitable toll roads in the near future. Assuming the Mexican government's imminent offer of bonds backed by the state-owned Cuernavaca road is a success, Tribasa will try to securitise its Ecatepec-Pyramides, and Chamapa-La Venta roads near Mexico City.

Daimler-Benz pierces accounting mystique

David Waller on the release of German and US figures before a New York listing

IF ACCOUNTING is the language of business, the American and the German versions of accounting are as different as mandarin Chinese and Flemish.

Looking at the figures which Daimler-Benz, Germany's biggest industrial company, published in both German and US accounting language last week, it is difficult to imagine how the two versions refer to the same company.

Under US Generally Accepted Accounting Principles (GAAP), Daimler made a loss of DM949m ($586m). Under German rules, the automobiles-to-aircraft group made a profit of DM168m. The gap is likely to widen in the second half, and for the year as a whole the group is likely to report a German profit of DM1bn and a US loss of DM2bn.

Explaining the two versions of the figures goes beyond consideration of abstruse accounting rules. It raises questions about Daimler's underlying financial performance and calls into question the assumptions which have driven the strong rise in the German stock market this year.

Daimler released German and US figures in tandem last Friday is order to comply with New York Stock Exchange regulations before the company's listing on the world's largest capital market on October 5. It will be the first German company to be listed there.

For decades German companies have refused to come to the US market for the very reason that they did not want to make the financial disclosures required under GAAP. Scrutinising the Daimler figures, it is not difficult to see why, as they

The argument that Daimler's structure as "diversified technology concern" justifies a higher rating than the German company's US peers is difficult to defend

serve to puncture the mystique which has long surrounded German accounting.

As Mr Gerhard Liener, Daimler's finance director, said last week, the US figures provide a more accurate reflection of Daimler's underlying trading performance than the German version. And that trading performance is far worse than anyone had dared to predict – especially when Daimler's management raised hopes by predicting a DM1bn (German) profit for 1992 and twice as much for next year.

Until last Friday, Anglo-American analysts assumed that German accounts *underestimated* a company's profitability. The rules which govern German accounts put the interests of the tax authorities and creditors higher than those of shareholders. It was thought that this conservatism served to deflate profits and balance sheet assets.

By contrast, US and UK rules give companies the freedom to present a "true and fair" view of business performance. This is designed to ensure that shareholders are kept in the picture (not a priority in Germany), but the flexibility of UK accounting has often been exploited by management to present an exaggeratedly favourable picture of underlying business performance.

Thus, if valuations of German shares were a little higher than of US or UK companies in the same sector, the investment risk was offset by the conservatism of the numbers on which the valuations were based. In theory.

Daimler's latest disclosures do indeed show that the group's balance sheet has consistently been understated under German rules.

Show the hidden reserves, and shareholders' equity in Daimler's balance sheet grows from DM18.9bn at the end of June under German rules, to DM26.2bn under US rules.

However, the detailed figures also reveal that Daimler only made a profit under German rules because of release of provisions from hitherto hidden reserves.

In the first half some DM1.62bn of "changes in appropriated retained earnings", as this is euphemistically called, flowed from the balance sheet to the benefit of the German profit and loss account.

In other words, it was nonsense to think that US GAAP would expose the hidden profit-

For decades German companies have refused to come to the US market for the very reason that they did not want to make the financial disclosures required under GAAP

ability of the big German company: quite the opposite.

These revelations make Daimler's shares look more, rather than less, expensive before the listing on the NYSE. This is especially the case when the shares are compared with those of big US automobile manufacturers – now possible because Daimler and General Motors are speaking the same accounting language.

While the shares of the US "big three" – GM, Chrysler and Ford – are on a multiple of seven times 1995 prospective earnings, Daimler's shares trade on 15 times US GAAP earnings of DM48 a share (the *forecast* comes from a 285-page buy note put out by Goldman Sachs this week. The US investment bank is advising Daimler on its NYSE listing).

The argument that Daimler's structure as "diversified technology concern" justifies a higher rating than the German company's US peers is difficult to defend: the Mercedes-Benz luxury car subsidiary accounted for 67 per cent of last year's sales and 112 per cent of profits.

In other words, the spate of acquisitions in recent years has reduced the group's profitability and, if anything, should justify a lower rating than for a pure cars and trucks group.

If the accounting revelations make Daimler's shares look expensive, the same is true for the German stock market as a whole. The DAX index of 30 leading shares has risen by 23 per cent this year to 1,893, much of the increase in the last three months. Valuations are already giddily high – German industrial companies are trading at 28 times 1993 and 19 times 1994 earnings. Factor in a discount for the *true* earnings position as would be revealed if every component of the DAX 30 sought a US listing, and the valuations are even ambitious.

Of course, investors have not bought German shares because of this year's earnings outlook. They are buying on the assumption that there will be a massive recovery in profits next year and in 1995. That assumption is not completely undermined by the Daimler disclosures. It is just that the turnround next year and the year after has to be that much more convincing to justify today's prices.

Belgian and French groups make large-scale job cuts

By Andrew Hill in Brussels and John Ridding

GIB GROUP, the retailer which is Belgium's biggest private-sector employer, is to cut 3,300 full-time jobs in its nationwide supermarket chain over the next three years.

The news came as another of Europe's big employers, Automobiles Peugeot, confirmed that it would be cutting its workforce by about 7 per cent by the end of next year.

Yesterday's announcement from GIB came as the Belgian government, unions and employers prepared for a testing round of talks aimed at restoring the competitiveness of Belgian companies. If the talks fail, the country's fragile centre-left coalition could fall.

GIB said 4,600 of the 17,000 full-time and part-time employees of the GIB supermarket chain would lose their jobs. Most of those will be encouraged to take early retirement, or will simply not be replaced if they leave the group. The company said the cuts in its supermarket activities would free BFr5bn ($144.5m) of new funds.

GIB has blamed increased competition and increasingly high wage costs for putting the chain's future in jeopardy, in spite of cost-cutting over the last three years.

Overall, GIB employs just over 57,000 people directly, and 70,000 including franchises. Its activities include specialised retailing, do-it-yourself shops and fast food restaurants.

In France, Automobiles Peugeot, part of the Peugeot-Citroen car group, said its cost-cutting plan would involve the loss of 4,023 jobs.

The decision, which was prompted by the depressed state of the European car market, is the latest in a series of job cuts by French industry. The past week has seen the announcement of more than 15,000 job losses, mainly by publicly-owned companies, prompting Mr Edouard Balladur, the prime minister, to urge restraint on the part of industry.

At Peugeot, the planned cuts included 2,547 jobs at the company's Mulhouse, Sochaux, Lille, Sept Fons and St Etienne plants.

At Poissy, to the west of Paris, where the Peugeot 306 is manufactured, there will be 1,476 job losses.

Industry analysts said they expected further job cuts at French car and component manufacturers over the next few months.

THE KOREA-EUROPE FUND LIMITED

PRELIMINARY RESULTS

At a meeting of the Board held today, the Directors of The Korea-Europe Fund Limited decided to recommend the payment of a final dividend of 1.50 cents net per share for the year ended 30 June 1993 on the shares of the Company.

The preliminary results are as follows (subject to audit):

	1993 $'000	1992 $'000
Investment Income:		
Dividends	3,040	2,791
Interest	319	95
	3,359	2,886
Deposit Interest	40	36
Total Revenue	3,399	2,922
Administrative Expenses	1,866	1,852
Revenue before Taxation	1,533	1,070
Taxation	610	468
Revenue available for Shareholders	923	602
Amount absorbed by dividend	430	172
Earnings per share	3.22 cents	2.10 cents
Dividend for the year per share	1.50 cents	0.60 cents
Net Asset Value per $0.10 share	$5.51	$4.82

The recommended dividend is the minimum that the company should pay in order to qualify for Inland Revenue approval as an investment trust for the year ended 30 June 1993. The Company's taxation position restricts the amount of the advance corporation tax on its dividends that may subsequently be recovered and a dividend higher than the recommended dividend would result in further irrecoverable advance corporation tax becoming payable.

During the year to the end of June 1993, the net asset value of The Korea-Europe Fund rose by 14.3 per cent compared to a rise in the KSE Composite Stock Price Index in US Dollar terms of 33.7 per cent. This underperformance was largely due to the Company's overweighting in smaller companies which had been responsible for the significant outperformance over the same period last year. The directors believe that these companies still represent the best fundamental value available.

Annual General Meeting: Thursday 11 November 1993 at the Company's registered office: Barfield House, St Julian's Avenue, St Peter Port, Guernsey, Channel Islands

Dividend Warrants (subject to confirmation of the dividend at the Annual General Meeting): despatched 17 November 1993

Payment date: 18 November 1993

Transfers must be lodged by 2.30 pm on: 28 October 1993

Ex-Dividend Date: 18 October 1993

The Annual Report and Accounts will be sent by mail to holders of registered shares at their registered addresses. Copies of the Annual Report will be made available to holders of depositary warrants and to the public at the Company's place of business in England:

Senator House, 85 Queen Victoria Street, London EC4V 4EJ

Enquiries: Schroder Investment Management Limited

John P Bainbridge (071 382 6742)

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

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CONTRACTS & TENDERS

INVITATION FOR BIDS

Loan No: 2602 TU

File No: 93.MYD/648

Date of Issuance: 23/9/1993

Bid Submission Date: 9/11/1993

1. The TURKISH ELECTRICITY AUTHORITY, hereinafter referred to as TEK, has received a loan amounting to 140.000.000 USD from the WORLD BANK in various currencies towards the cost of Power Systems Operations Assistance Project and part of the proceeds of this loan will be applied to eligible payments under the Contract(s) for which this Invitation For Bids is issued.
2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders for supply of forklift for 3/6 Tons and Teleskopic Lift for 12/18 Meters working height.

   All the above equipment shall be supplied according to the Bidding Documents. Each bidder may submit a bid for any items of instruments or combination of items. All bids and combination of bids shall be opened and evaluated simultaneously in order to determine the bid or combination of bids offering the total advantageous solution for TEK. The bidders shall be allowed to offer a discount price for the combination of the contract.
3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Foreign Trade Affairs Department
   İnönü Bulvarı No: 27 Kat: 23
   Bahçelievler Son Durak
   ANKARA/TURKEY
   Telex: 42245 tek tr
4. A complete set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the above office and upon payment of a non-refundable fee of 380 USD or 4.500.000 TL (including VAT) at the following address:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Department of Finance
   İnönü Bulvarı Nr: 27 Kat: 4
   Bahcelievler Son Durak
   ANKARA/TURKEY

   Those Bids submitted by the Bidders who did not purchase the Bidding Documents shall be rejected.
5. All bids must be accompanied by a bid security in an acceptable form of not less than 3% (three percent) of the bid price and must be delivered to the above office on or before 12.00 hours on 9/11/1993
6. Bids will be opened in the presence of those Bidders' representatives who choose to attend at 14.00 hours on 9/11/1993 at the office.

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Procurement Commission
   İnönü Bulvarı No: 27 Entrance Floor Block A
   Bahcelievler Son Durak
   ANKARA/TURKEY
7. BILL OF MATERIALS
   Forklift for 3 ton Quantity 9
   Forklift for 6 ton Quantity 25
   Teleskopic Lift for 12 meter working height Quantity 40
   Teleskopic Lift for 18 meter working height Quantity 28

INTERNATIONAL COMPANIES AND FINANCE

Hong Kong gives display of regulation

Simon Davies assesses the government's efforts toward tougher stock market controls

The Hong Kong government's report into the corporate activities of Mr Lee Ming-tee's Allied group – with its 688 pages and costs of HK$46m (US$5.95m) – is a showcase demonstration of regulatory zeal.

The government and the regulatory authorities have taken great pains to move forward from the events of October 1987, when the Hong Kong stock exchange was closed for four days, the futures market collapsed, and corruption allegations emerged against Mr Ronald Li, the stock exchange chairman who was subsequently jailed.

Since then, the Davison report on strengthening the regulatory framework has been implemented, and a new watchdog – the Securities and Futures Commission (SFC) – has won a tough political battle to gain acceptance in a city notoriously averse to regulation. The government is understandably anxious to show that things really have changed for the good.

To some extent they have. A tougher regulatory line has emerged quite a lot in the past two years. Regulatory opposition has blocked a number of moves – notably privatisations and asset injections – deemed to be prejudicial to minority shareholders. More recently, Peregrine Investments, merchant banker to some of Hong Kong's most influential businessmen, was investigated for stock market manipulation.

Mr Stephen Clark, director of Anglo-Chinese, a Hong Kong merchant banking group, said: "There has been a sea change. There are a lot of investigations going on, and the SFC is spending a lot of time asking questions about different transactions. In the end, that will filter through to what people feel they can get away with."

The report on Allied attempts to underscore this new climate, ramming home the message that the government is determined to smoke out wrong-doers. It details mechanisms through which, it claims, Mr Lee syphoned shareholders' funds into activities such as the undisclosed control of listed companies, share price manipulation, and the funding of stock purchases by the controlling shareholders.

Accountants argue that had it not been for the timing of Mr Lee's activities – the investigation focuses on transactions since January 1 1990, a period in which Hong Kong property and share prices have surged – the entire Allied group could have collapsed.

The 10 companies which made up the official and unofficial Allied group had a combined market capitalisation of HK$7.6bn in August 1992, when the investigation was launched. Clearly a collapse would have had an devastating effect on stock market confidence.

However, it can be argued that the report lacks substance, a point taken up by Mr Brian O'Connor, Allied's managing director. He describes the investigation as a "witch hunt" against Mr Lee, and says the report is little more than "justification, not justice".

Lee Ming-tee: considered an outsider by corporate core

Mr Nicholas Allen, the government inspector, gives indications of corporate misfeasance and innumerable breaches of securities regulations. However, he fails to reveal any great black hole in the Allied balance sheet, and does not leave the impression that Mr Lee has become a billionaire at the expense of his shareholders.

Of greater importance, perhaps, is the fact that few people in the financial sector feel affected by what has become the largest commercial crime investigation in the history of the colony.

Mr Lee, as a Malaysian with an Australian passport, is considered very much an outsider by Hong Kong's xenophobic corporate core. Whatever the outcome of the Allied investigation, it will not be seen as impinging upon their own fiefdoms. It may also be seen as having little direct relevance in the stock market, since investors have always labelled the group excessively speculative.

For all that, however, the Allied investigation is at the front line of Hong Kong's regulatory image, and the outcome is therefore important.

At present, the stock exchange and SFC are examining potential breaches of the listing rules, the Takeovers Code and disclosure of interest Ordinance. The maximum penalty would be a disbarring of individuals from holding directorships.

At the same time, the government is considering legal action for breaches of the Companies Ordinance. This would probably focus on allegations of false accounting, misappropriation of funds, and market manipulation, all of which are detailed in the report.

The dramatic police raid on Allied's offices last Wednesday suggests the police are confident they have grounds to prosecute. But they will need to proceed carefully. As Mr Barry Yates, managing director of brokerage Vickers Ballas, said: "The government can't afford to have another Carrian on its hands."

The investigation into the 1983 collapse of the Carrian property empire has cost more than HK$100m in taxpayers' money, but has yielded little sense of justice.

Corporate Hong Kong would undoubtedly benefit from a demonstration of stock market wrong-doing being punished. However, if HK$46m and 13 months of investigation is unable to yield any more than suspicion, the assumption will be that Hong Kong's no-holds-barred style of capitalism remains very much alive.

Thai bank seeks Bt5bn in notes programme

By William Barnes in Bangkok

INDUSTRIAL Finance Corporation of Thailand is to borrow Bt5bn ($200m) through an Asian currency note programme that its designers say adds an extra dimension to the region's capital markets.

Lehman Brothers, the programme's arranger and dealer, is making a series of issues with maturities ranging from one day to 10 years at fixed or floating rates in Baht or Hongkong dollars to create a revolving credit line for the bank.

"The time is right - this lays down a small building block in a huge movement of capital," said Mr Phillip Kim, a vice-president of Lehman Brothers Asia.

Mr Asawin Kongsiri, president of IFCT, which is 31 per cent owned by the state, said: "This will make our capital market more international as well as lower the bank's cost of funds."

Lehman will arrange the mix of pricing and maturity when the IFCT needs funds. The first issue is expected to be a fixed-rate note of between Bt1bn and Bt500m in mid-October. Mr Asawin said that as a quasi-sovereign borrower, the notes should provide the fledgling Thai domestic capital market with useful benchmark pricing.

Mr Kim said that Thailand's highly-publicised problems in digesting infrastructure development, as well as some political uncertainty, was not likely to trouble the programme.

Joining Lehman as dealer in the note programme will be Bangkok First Investment & Trust, Finance One Public, IFCT Finance and Securities and Phatra Thanakit.

● New Japan Securities, the second-tier brokerage, is to close six branches in metropolitan Tokyo,Reuter reports from Tokyo. After the shutdowns, New Japan will have 76 branches in Japan. The brokerage revised down its forecast for parent current profit in the September half-year to Y200m ($1.9m) from an earlier Y3.5bn forecast.

Philippine paper issue

THE Energy Development Corporation, part of the Philippine National Oil Company (PNOC), is set to issue five-year notes early next week through J.P. Morgan Securities, writes Conner Middleman.

Although the issue was initially planned at around $60m, this may be raised to between $90m and $100m in response to strong investor demand, according to J.P. Morgan. The paper is expected to yield between 270 and 290 basis points over the corresponding US Treasury note.

Eni may alter its plans for privatisation

By Haig Simonian in Milan

ENI, Italy's state-owned energy and chemicals group, which is to be partially sold to the public, yesterday surprised bankers by disclosing a possible change of plan in the way it is to be privatised.

The revised plan would consolidate Eni's oil and gas activities into one company. The new concern, probably named Societa Italiana Idrocarburi (SII), would then be fully or partially floated.

Listing SII represents a radical change from the two previous privatisation proposals for Eni. The first aimed to list just the Agip upstream oil and gas business, probably after a merger with the Agip Petroli downstream oil business.

The alternative to this would have been to float a small tranche of shares in the entire Eni group.

The second idea has lost ground because of continuing heavy losses at Eni's chemicals side, and the shadow this casts over any attempt to sell Eni shares. By contrast, listing the two Agip businesses would only partially reflect Eni's position as one of the world's biggest energy groups.

SII would probably include Snam (gas supply and distribution), Snamprogetti (design and engineering) and Saipem (drilling and construction), as well as to the two Agip businesses.

The SII project would combine Eni's most attractive and profitable businesses in a single, coherent energy and engineering group.

Before going forward, however, Eni will probably have to remove stakes in its loss-making EniChem chemicals business from the balance sheets of the companies comprising SII.

● Saipem, which is already listed, has reported a 38 per cent rise in first-half sales to L1,098bn ($700m), confirming the recovery indicated last year.

The group's net financial position has improved substantially, with a cash surplus of almost L34bn at end-June against net borrowings of around L81bn last December.

Saipem's order book amounted to L3,404bn at the halfway stage against L2,180bn. It warned that financial difficulties in Iran could lead to delays in executing its L1,000bn contract for the South Pars gas field.

INTERNATIONAL CAPITAL MARKETS

Prices see-saw as traders take cue from Moscow

By Conner Middelmann in London and Patrick Harverson in New York

EUROPEAN bond markets had another volatile day, sliding at the start, then clawing back most of their losses through the session, only to slip again in after-hours futures trading. Prices were buffeted by the Russian crisis, and continuing uncertainty there is expected to keep activity choppy in the next few days.

GOVERNMENT BONDS

Investor selling was limited, however. "Some positions were liquidated, but there was no panic selling," said Mr John Hall, European economist at Swiss Bank Corporation.

Indeed, many investors used the early falls as a buying opportunity, traders said. "Most people have adopted a wait-and-see stance and won't do anything drastic until the picture clears up in Russia," said a London trader.

■ GERMAN bonds had an active session, with the Bund contract on Liffe hitting record volume at over 164,000 contracts, up from the previous peak of 147,603 on March 4.

Traders marked down prices early, but Bunds recovered during the day on the growing perception that Mr Boris Yeltsin was gaining the upper hand in the Russian power struggle. Sentiment was lifted by reports that the Russian military would support Yeltsin, reducing the threat of civil war.

However, in after-hours trading, the Bund future sold off sharply as short-term traders took profits. Moreover, many dealers were reluctant to hold long positions overnight. Germany's strong political and economic ties with the former Soviet Union makes its markets particularly vulnerable to turmoil there.

■ FRENCH bonds took their cue from Bunds, recouping early losses and easing back late in the day. Most investors remained on the sidelines, leaving the market largely in the hands of futures traders.

The government's announcement of the 1994 budget had no effect on bond prices. "It contained no surprises, and was relatively small news compared to the events in Russia," said Mr Joe Chan, who trades French bonds at Morgan Stanley.

The Bank of France is not expected to cut its 6.75 per cent repo rate at today's open-market operation. According to Dominique Barbet, economist with Paribas Capital Markets, the central bank will likely wait for German money market rates to ease and for its own foreign currency reserves to be replenished before cutting rates again.

■ UK gilts were dragged lower by other European markets. In the cash market, traders reported switching out of ultra-long maturities into the new 6¾ per cent gilts, which are trading on a when-issued basis ahead of next Wednesday's auction.

According to analysts at market research firm IDEA, there is concern that foreign interest in the paper will be low because it is 11-year stock. Others, however, saw the gilts market cheapening enough for the auction to go well, they noted.

■ JAPANESE government bonds eased back after Tuesday's rally on position-squaring ahead of today's national holiday. The JGB December contract closed at 111.93, down from Tuesday's 112.23 close.

■ US Treasuries were flat to lower in subdued trading yesterday morning, as traders and investors kept a close eye on events in Russia while preparing for the afternoon's five-year note auction.

By midday, the benchmark 30-year government bond was down $\frac{3}{32}$ at $101\frac{3}{16}$, yielding 6.130 per cent. At the short end, the two-year note was unchanged at $99\frac{29}{32}$, to yield 3.908 per cent.

Although Tuesday's fears that Russia might disintegrate into chaos appear to have abated, concern about the situation, and buying of shorter-dated securities as a safe haven during unsettling political times remained a feature of the bond market yesterday.

Trading, however, was subdued throughout the first session, partly because of the Russian situation, and partly because participants were reluctant to trade actively ahead of the afternoon auction of $11bn in five-year notes.

FT FIXED INTEREST INDICES

	Sep 22	Sep 21	Sep 20	Sep 17	Sep 16	Year ago	High *	Low *
Govt.Secs.(UK)	101.28	101.38	101.57	101.61	101.33	89.31	102.86	93.28
Fixed Interest	122.55	122.96	123.01	122.85	123.07	104.08	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 21	Sep 20	Sep 17	Sep 16	Sep 15
Gilt Edged Bargains	112.8	92.3	113.4	117.5	200.5
5-Day average	127.3	131.2	131.5	126.6	129.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.0539	-0.484	6.82	6.68	6.64
BELGIUM		9.000	03/03	111.7000	-0.260	7.25	7.18	7.11
CANADA *		7.500	12/03	103.4550	+0.220	7.02	6.97	6.96
DENMARK		8.000	05/03	108.3500	+0.250	6.79	6.87	6.72
FRANCE	STAN	5.750	11/98	100.4007	+0.044	5.65	5.71	5.79
	OAT	6.750	10/03	104.6900	-0.170	6.11	6.19	6.33
GERMANY		6.500	07/03	102.7550	-0.460	6.12	6.22	6.32
ITALY		10.000	08/03	103.6400	-0.050	9.64†	9.58	10.23
JAPAN	No 119	4.800	06/99	106.5486	-0.028	3.44	3.60	3.91
	No 157	4.500	06/03	103.7971	-0.184	3.96	4.16	4.27
NETHERLANDS		7.000	02/03	107.3500	-0.030	5.95	6.04	6.18
SPAIN		10.900	08/03	110.7000	+0.100	9.19	9.29	9.40
UK GILTS		7.250	03/98	103-08	-	6.41	6.44	6.38
		8.000	06/03	106-19	-	7.05	7.04	6.95
		9.000	10/08	114-23	-3/32	7.37	7.35	7.34
US TREASURY *		5.750	08/03	102-08	-7/32	5.45	5.46	5.59
		6.250	08/23	101-28	-12/32	6.11	6.06	6.20
ECU (French Govt)		8.000	04/03	108.9300	-0.450	6.70	6.68	6.83

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Italy appoints US handlers for bank flotations

By Haig Simonian in Milan

ITALY'S privatisation process yesterday took a small step forward with the appointment of three US banks to assist in the sale of Banca Commerciale Italiana and Credito Italiano.

J. P. Morgan is to value the two banks, among the 10 biggest in Italy, for the treasury. Goldman Sachs has been appointed "global co-ordinator" for the placement of shares in Credito Italiano outside Italy, while Lehman Brothers is to perform a similar role for BCI.

The appointments, to be confirmed by the boards of the companies today, mark a significant inroad for US banks to a business which has so far been dominated by UK merchant banks.

However, the London houses retain a role in the privatising of Italy's financial institutions. S. G. Warburg was given the mandate last month to assist in the placing of shares in Istituto Mobiliare Italiano, another big financial services group.

The stakes in Credito Italiano and BCI to be sold belong to the IRI state holding company. IRI owns 54.4 per cent of the ordinary shares in BCI and 58.1 per cent of Credito Italiano.

The government has indicated it would like both deals to be completed as quickly as possible – ideally by the end of this year.

However, observers doubt it will be possible to complete the valuation and preparation process in time for a placing before early 1994.

The treasury had originally hoped for a trade sale of IRI's stake in Credito Italiano, or, failing that, disposal to a small group of institutional shareholders.

Informal soundings early this year by Merrill Lynch, the US investment bank, revealed only limited interest, leading to the decision to opt for a full flotation of IRI's holdings.

Abbey National returns with FFr1bn Eurobond offering

By Antonia Sharpe

POLITICAL instability in Russia failed to slow the recent heavy flow of new issues in the international bond market yesterday, with several borrowers raising funds in a variety of currencies.

INTERNATIONAL BONDS

Abbey National, the UK bank, returned to the French franc sector for the first time since 1988, raising FFr1bn through an offering of five-year Eurobonds. Abbey's offering formed one side of a "back-to-back deal" with CCCI, the French central financing entity for a network of mortgage lenders.

In the meantime, CCCI made its debut in the Eurosterling sector, raising an equivalent amount, £116m, through an issue of five-year floating-rate notes (FRNs). The two borrowers then swapped the proceeds of their offerings, so that Abbey ended up with sterling and CCCI with French francs.

This represents the first public "back-to-back" deal in the Euromarket since mid-August, when the Province of Ontario and the European Investment Bank swapped the proceeds of two seven-year Eurobond offerings which raised £255m and C$500m respectively.

Mr Jonathan Nicholls, Abbey's director of corporate finance and capital markets, said the swap provided Abbey with a cost-effective means of raising funds. The all-in cost of yesterday's deal was around the London interbank offered rate (Libor), he said.

By contrast, CCCI paid around 35 basis points over Libor for its funds. Mr Jean-Noël Destremau, CCCI's managing director, said this reflected the fact that CCCI had paid an "entry fee" of 4-5 basis points for its first Eurosterling issue. "But the back-to-back swap compensated for this premium," he said.

He said CCCI aimed to improve its funding target to 25-30 basis points over Libor in future Eurobond offerings, as well as to seek longer maturities.

Lead manager Samuel Montague said CCCI's notes would be kept in syndicate overnight to enable investors who were buying CCCI debt for the first time to obtain the necessary credit lines. He said a large amount of the notes had been pre-placed with UK and continental accounts.

Abbey's bonds were also kept in syndicate overnight. Joint lead manager CCF said there had been surprisingly strong demand for the bonds from Spain. The bonds were also bought by investors throughout Europe.

Elsewhere, Südwestdeutsche Landesbank, the triple A-rated central bank for the savings banks in the German state of Baden-Württemberg, raised DM1bn through an issue of 10-year Eurobonds.

Lead manager Goldman Sachs said the offering was designed to raise the borrower's profile with international investors.

There is a growing trend among borrowers to reduce dependence on their domestic market. By tapping the Euromarket, they are able to reach a much wider range of investors and can often achieve better pricing than at home.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Wal-Mart Stores	250	5.125	99.59R	Oct.1998	0.30R	+33 (WI 5yr)	Goldman Sachs Intl.
OKB(a)	200	(a)	(a)R	Oct.1998	0.25R	(a) (WI 5yr)	Lehman Brothers Intl.
D-MARKS							
Sudwestdeutsche LB Cap.Mkts.	1bn	6.25	99.464R	Oct.2003	0.325R	+20 (6¼%-03)	Goldman Sachs, Ffrt.
STERLING							
CCCI‡	116	(b)	99.574R	Oct.1998	0.20R	-	Samuel Montagu & Co.
Woolwich B/S(c)	75	11.625	117.225R	Dec.2001	undisc.	+135(10%-01)	Baring Brothers & Co.
FRENCH FRANCS							
Abbey Natl.Treasury Services	1bn	5.75	98.86R	Oct.1998	0.30R	+38 (5¾%-98)	CCF
YEN							
Takashimaya Co.‡	10bn	(d)	100R	Jan.1998	0.25R	-	Sanwa International
Itochu International(e)	7bn	3.95	100.35R	Jan.1998	0.35R	-	Sakura Finance Intl.
Itochu International(f)	2bn	3.60	100.20R	Jul.1997	undisc.	-	DKB International
Itochu International(f)★	2bn	3.50	100.20R	Jan.1997	undisc.	-	DKB International
CANADIAN DOLLARS							
World Bank(g)	150	6.25	98.38	Oct.1998	0.25R	+5 (6½%-98)	Daiwa Europe/Sanwa Intl.
Credito Italiano(HK Branch)‡	100	(h)	99.50R	Oct.2003	0.50R	-	C.Italiano/ K.Peabody

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Dragon bond. Priced today to yield 15-17bp over Treasuries. b) Coupon pays 3-month Libor + 0.25%. c) Fungible with the outstanding £125m. Plus 301 days accrued interest. d) Long 1st coupon. Coupon pays 3-month Libor + 0.275%. e) Short 1st coupon. f) Short 1st and 2nd coupons. g) Issue launched on 9/9/93 was increased to $350m. h) Coupon pays 6-month BA's - 0.25%; minimum 7%, maximum 10%.

Russia crisis timing a test for Globex

By Tracy Corrigan

WHEN Boris Yeltsin's dissolution of the Russian parliament hit the news after 5pm London time on Tuesday, European futures exchanges had already closed. It was a case of bad timing for traders, but a vital chance for Globex, the 24-hour futures trading system, to prove its worth.

Globex, developed by the Chicago Board of Trade, the Chicago Mercantile Exchange, and Reuters, was conceived as a vehicle for global, 24-hour trading. However, in practice futures markets tend to be liquid only during the time zone of their domestic market.

When the Russian news broke on Tuesday, the Chicago exchange floors were still open, but France's Matif products were available only through Globex. In the event, the Matif traded its second heaviest Globex session, recording more than 61,000 contracts.

By contrast, the CME traded just over 3,000 contracts and the CBOT 1,730.

Volume in CME products has risen from an average of 1,993 contracts in August to 2,755, partly reflecting the introduction of equity index products earlier this week.

Nevertheless, the Chicago exchanges are a long way from their reported target of 50,000 contracts per US session on Globex by next April.

If this target is not reached, the main backers of Globex could pull out, according to reports of the contract between them. Even though there has been an encouraging increase in CME's volume, that target still seems a long way off.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on September 22

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / CONVERTIBLE BONDS / YEN STRAIGHTS

Abbey Natl Treasury 6½ 03	1000	102⅞	102⅞	-¼	6.13
Arbed 7½ 95 LFr	600	99⅞	100⅞		7.66
Genfinance Lux 9½ 98 LFr	1000	107¼	110⅛		7.47
[illegible]					

* No information available - previous day's price. † Only one market maker supplied a price. [illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	47	25
Other Fixed Interest	4	8	3
Commercial, Industrial	218	363	841
Financial & Property	101	272	448
Oil & Gas	18	14	49
Plantations	1	0	7
Mines	72	20	43
Others	49	37	36
Totals	467	761	1,454

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	110	94	Anglian Water Wts	107	-1	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
17	Nil	29/9	1½pm	1pm	‡Albrighton	1pm	
21	Nil	22/9	19pm	11pm	Arlen	19pm	
Ir260	Nil	20/10	31pm	27pm	CRH	27pm	
400	Nil	01/10	66pm	52pm	Cadbury Schweppes	60½pm	+3
150	Nil	2/11	20pm	18pm	JJB	19pm	
260	Nil	2/11	53pm	48pm	NB Caradon	52pm	
225	Nil	29/10	59pm	51pm	Quarto	59pm	
130	Nil	25/10	19pm	8pm	Rolls Royce	10pm	-1
19	Nil	12/10	3pm	¼pm	Usborne	¾pm	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Sept. 13
- Last Dealings Sept. 24
- Last Declarations Dec. 9
- For settlement Dec. 20

3-month call rate indications are shown in Saturday editions.

Calls: Campbell & Armstrong, Cannon St. Invs., Ferranti, JF Japan, Morrison (Wm.), Molynx, Phonelink and Waverley Mining. Puts: Proteus. Puts & Calls: Monument Oil & Gas and Next.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	42½	62½	62½	4	14	19½
[illegible]							

EURO FT-SE INDEX / FT-SE INDEX [illegible]

FT-SE ACTUARIES INDICES

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FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

Continuing recovery underlined with 81% rise and increased final

Interest cut lifts Barratt to £20m

By Paul Taylor

BARRATT Developments, Britain's third largest housebuilder, underlined its continued recovery yesterday by posting an 81 per cent increase in full year pre-tax profits and increasing its final dividend.

Pre-tax profits in the year ended June 30 jumped to £20.4m (£11.3m) on turnover which fell by 7.5 per cent to £405.3m (£438.3m).

The profit improvement mainly reflected a sharp reduction in interest costs which dropped to £7.3m (£15.9m) as the group's net debt fell to £34m at the end of June from £57.1m a year earlier. Earnings per share rose to 9.3p (7.8p) and the group is paying a final dividend of 3p (2p) which makes a total of 4p for the year – double the previous year when there was no interim payment.

The improved profits and dividend helped push Barratt's shares higher yesterday to close 15p higher at 187p.

Operating profits fell slightly to £27.3m (£28.5m), but the decline was more than offset by a £400,000 share of profits from associated undertakings, compared to a £1.3m loss previously.

The group sold 4,988 homes during the year – up from 4,706 – in addition to which, the construction subsidiary completed another 314 housing association homes.

The average selling price fell to £74,800 (£79,900) with the decline mainly reflecting changes in the product mix as Barratt built more smaller first-time buyer properties.

Sir Lawrie Barratt, who came out of retirement to rescue Barratt two years ago, said the group had made sound progress working its way through its historic land stocks, the majority of which could only be developed in the upper price ranges and which yielded very low margins or incurred losses.

As part of a three-year growth plan to rebuild UK housing volume, Barratt plans to sell 5,700 houses this year rising to 8,000 in 1995-96.

The group's US subsidiary, which builds homes in southern California and accounts for about 8 per cent of group turnover, reported an unchanged trading loss of £700,000 last year, although Mr Frank Eaton, chief executive, said he hoped the business would make a small contribution to profits this year.

He said that Barratt planned to reduce its investment in the recession-hit California market by accelerating completions to about 500 this year and reducing the US land bank.

Ashley Ashwood

Sir Lawrie Barratt, chairman (left) and Frank Eaton, chief executive: planning to sell 5,700 houses this year

COMMENT

With Sir Lawrie back in the driving seat, Barratt's recovery has been underpinned by a reduction in total debt from £205m in June 91 to £43m at the end of June this year – equivalent to gearing of 22 per cent. Now that the UK housing market ismoving in the right direction, Barratt should be able to boost volumes and margins this year. Pre-tax profits should reach £32m, equivalent to 12.8p of earnings. With a prospective p/e of 14.6 the shares are undervalued relative to other housebuilders and despite yesterday's gains are still a good recovery buy.

Wates City of London in £24m cash call

By Peter Pearse

WATES CITY of London Properties, which in August reported a pre-tax profits fall from £3.74m to £860,000 and a passed dividend for the first half of 1993, is to raise about £24m net in a rights issue.

Mr Rodney Clutton, development and property director of the company, all of whose properties but one fall within the core of the City, said the proceeds would be used to reduce borrowings "to a comfortable level". At June 30 they stood at £95m, since when they have been cut by £12m to £83m via the sale of Bolsa House, Cheapside.

Wates said that at December 31 1992 gearing was 102 per cent. Adjusting for the rights proceeds and the Bolsa House sale, pro forma gearing at that same date would have been about 48 per cent.

Some 34.3m new shares are to be issued at 72p on a 2-for-7 basis. Wates shares closed down 6p at 82p last night.

The company said that after a long period of decline, there was now evidence that City property values were stabilising. Mr Clutton said that the rights issue was so that "we don't have to sub-optimise and can protect our crown jewels", especially 100 Old Broad Street and 90 Queen Street.

At the end of 1992, Wates sold 1-6 Milk Street for £9.35m and 20 Cannon Street for £14.2m. Mr John Nettleton, finance director, said in August that these properties were "over-rented and old", but Mr Clutton said that more could have been got for them now.

The rights has been fully underwritten by Morgan Grenfell. Brokers are Cazenove and SG Warburg Securities.

COMMENT

There seem to be fewer property purchases than rights issues these days and with no dividend payments on the horizon, this rescue rights could be seen as opportunistic. Many analysts harbour suspicions about it. Family and institutions close to the group have made recent share sales – indeed the Wates Foundation sold the second 1.5m tranche of shares this year at the beginning of September. The success of the rights is assured, but perhaps this is more to do with the muscle of Cazenove and Warburg than investor feeling for Wates.

Acquisition helps boost Tibbett 69% to £11.4m

By David Blackwell

THE ACQUISITION of Silcock Express last November helped Tibbett & Britten, the warehousing, transportation and distribution services group, to lift pre-tax profits by 69 per cent, from £6.7m to £11.4m, in the half year to June 26.

Silcock, a car distribution company, contributed £4m to group operating profits of £11.2m (£6.41m), and £52.6m to total turnover, which rose 74 per cent to £176.9m (£101.6m).

Earnings per share were ahead 42 per cent to 17.5p (12.3p). The interim dividend is lifted 22 per cent to 4.5p (3.7p).

Mr John Harvey, chairman, said that Silcock had made "a seamless entry" into the group. At the same time the rest of the group had continued to show strong organic growth of £18m, or 24 per cent of the increase in turnover.

He described the trading environment as "still very difficult, particularly in the automotive sector." The group profit margin eased from 6.6 per cent to 6.4 per cent.

The group now operates in five sectors – clothing and textiles, personal products, food, non-food, and motors. Of these, the non-food division, whose clients include B&Q and IBM, was the strongest. The clothing and textiles division continued to be hit by recession.

About 80 per cent of the group's business is contracted. Two contracts – one for Asda (turnover £6m) and one for Whitbread (turnover £12m) will end in the next six months. Mr Harvey said there was no customer dissatisfaction in either case.

The international division reported an operating profit of £200,000 after a previous loss of £300,000. The acquisition last year of SA Warehousing Services in South Africa added £10m to the division's turnover, helping it to £18.7m (£2.9m).

Net assets at June 26 were £74.8m (£51.4m), and gearing is now at zero (14 per cent).

COMMENT

The maiden contribution of Silcock Express has transformed the first-half results in spite of the 17 per cent fall in western European car registrations in the period. Silcock now accounts for 30 per cent of group turnover, with the other UK businesses at 60 per cent and the international division at 10 per cent. The fact that Marks and Spencer, which generated 60 per cent of turnover when the company was floated in 1986, now accounts for less than 11 per cent is a good illustration of how much Tibbett has grown and diversified. In addition, it is making strategic moves overseas. The only real negative news is the loss in the next six months of two contracts. Perhaps this was behind yesterday's 15p fall in the shares to 715p. Even so, forecast full-year profits of £24m to £25m give a p/e of more than 19. High, but the shares are worth holding for the benefits that could follow an upturn in the motor and clothing sectors.

UniChem advances 43% as operating margins expand

By Richard Gourlay

UNICHEM, the pharmaceuticals wholesaler and retailer, boosted first half pre-tax profits by 43 per cent to £18m after a significant increase in operating margins and in spite of government constraints on drug pricing.

Sales rose 17 per cent to £574m and earnings of 8.3p were up 51 per cent under FRS 3 or up 15.3 per cent before the adjustments.

Operating margin grew from 3.1 per cent to 3.4 per cent.

Mr Jeff Harris, chief executive, described the recent decision by the health secretary to cut 2.5 per cent on average from the price of medicines was "reasonable, if unwelcome". "We are grateful to see some stability come back to the subscription drugs market," he said.

He expected this market to grow by about 9 per cent a year. Half the growth would come from price increases, as more expensive drugs were introduced and prescribed, and half would come from volume increases.

De-listing of certain drugs that doctors can prescribe would reduce growth in the market. But there would be an increase in sales of drugs now only available under prescription which will become more freely available over the counter.

Gearing was maintained at 17 per cent, up from 9 per cent, in spite of £8m spent on expanding the Moss Chemists retail chain.

The largest wholesale division lifted sales by 11.4 per cent but the company made its fastest progress in the hospital market where sales jumped by 42 per cent to £20m.

During the period the group bought 34 shops and now has 236 outlets.

While UniChem is a distributor and retailer of drugs, it is included in the health and household sector and has watched its share price fall in line with the sector in the last six months.

Analysts forecast full year profits of about £35.5m, giving a prospective earnings multiple of about 14, just below the average for the entire market and below the average for the pharmaceuticals sector.

Mr Harris said he did not understand why UniChem - a distributor of drugs - was rated like a pharmaceuticals company.

NEWS DIGEST

Dolphin Packaging jumps 43%

DOLPHIN Packaging, which supplies packaging mainly to the food industry, reported pre-tax profits up 43 per cent to £1.13m in the six months to June 30, against £789,000.

Mr Moger Woolley, chairman, said that the rise had been achieved despite pressure on prices which remained in all markets. Turnover rose 2 per cent to £13.6m (£12.3m), increased volumes offsetting price falls.

Earnings per share increased to 3.42p (2.39p) and the interim dividend is held at 1.7p.

Ennex loss reduced to $82,000

Ennex International, the Dublin-based mineral exploration company, reported a reduced pre-tax loss of $82,000 (£53,000) for the first half of 1993, against $282,000.

Losses per share came out at 0.1 cents (0.31 cents).

The company said that the strengthening of the dollar against UK and Irish currencies resulted in a significant increase in the sterling value of its cash deposits which stood at $4.2m at the end of the period.

Intereurope Tech shows 5% decline

Intereurope Technology Services, the technical publishing and support group, reported a 5 per cent decline in pre-tax profits from £1.23m to £1.16m for the year to end-June.

The outcome was struck on turnover down from £10.9m to £9.41m. At the trading level, profits grew slightly from £840,000 to £843,000.

An improved final dividend of 5.8p (5.4p) is proposed for an increased total of 7.8p (7.4p). The dividend is payable from earnings per share of 13.61p (15.03p).

Norish at I£1.1m after 10% increase

Norish, the Irish-based group which provides refrigeration, freezing storage and distribution services, lifted pre-tax profit 10 per cent in the first half of 1993.

It came to I£1.11m (£1.06m) compared with I£1.01m, and was generated from turnover of I£5.18m (I£5.25m).

Directors said high levels of occupancy and product throughout contributed to the results. There were improvements in the product mix.

Earnings per share worked through at 9.88p (7.95p) and the interim dividend is held at 4.47p.

River & Mercantile American assets up

River & Mercantile American Capital and Income Trust reported a net asset value of 49.54p per capital share as at August 31.

The figure was marginally ahead of the 49.34p of end-February and represented an advance of 62 per cent on the August 1992 value of 30.6p.

Attributable revenue for the six months to end-August edged ahead to £265,000 (£250,000); equivalent to earnings of 3.53p (3.33p) per income share.

The second interim dividend is maintained at 1.8p, making 3.6p to date.

Restructuring helps Lusty cut losses

John Lusty Group, the food importer and distributor, has started to benefit from restructuring and refocusing of its business, with interim losses cut from £847,000 to £152,000.

Mr David Hamp-Adams, chairman, said both he and Mr Avinash Vazirani, finance director, had agreed to take substantial salary cuts to assist the company's cash flow requirements.

Second Market asset value improves

Net asset value per share of the Second Market Investment Company rose to 370.4p as at June 30 1993, compared with 289.7p a year earlier.

Assuming full conversion of the convertible loan stock the figure increased from 286.1p to 365.6p. At the December year end it amounted to 310p.

Earnings per share were 2.36p (1.58p) from available revenue of £242,858, against £156,718.

BM agrees committed loan facility with banks

By Maggie Urry

BM GROUP, the construction equipment combine which over-extended itself through acquisition, has signed an agreement with its bankers for a committed loan facility until the end of 1994.

It has cost £7m to arrange, and this will be added to exceptional costs of £42m already forecast for the 1992-93 accounts.

The financial accounting date is June and results for the year are expected to be announced in November. Interim pre-tax profits were halved to £8.6m.

The shares, which peaked at 425p in October 1991, rose 1p to 23¾p.

Mr Howard Sutton, chief executive, said the disposal programme was expected to cut debts, which exceeded £100m, substantially by the end of 1994. It was planned to refinance the debt by then on more normal terms. The restructuring would leave a viable company capable of servicing the reduced debt, he said. The business plan did not assume an upturn in the economy.

In exchange for the committed facility the group's 12 banks took security over some of its assets, imposed tighter covenants, and are charging a higher interest margin.

Cantab's UK flotation will give £50m value

By Richard Gourlay

CANTAB Pharmaceuticals, the Cambridge-based bio-technology company already quoted in the US, yesterday launched its pathfinder prospectus for a UK flotation through a placing set to be priced on September 19.

The issue is expected to raise £15m-£20m and value the company at about £50m. It is likely to be priced relative to that prevailing in the US where Cantab issued 1m shares at $10 (670p) last year.

Cantab is some way from producing a marketable product but is closest with a drug called LM-CD45, designed to reduce the incidence of rejection in kidney transplant operations.

Mr Paul Hancock, chief executive, said a key strength of the company had been the links it had formalised with British academic institutions, notably Cambridge University.

BZW is acting as adviser. The shares will start trading on October 25.

Global up after lower interest

After lower interest charges, Global Group, the USM-quoted meat and specialist food products group, achieved a £20,000 rise in pre-tax profits to £678,000 for the half year ended June 30.

Turnover improved from £38.5m to £40.6m. Operating profits fell to £909,000 (£1.06m) and the pre-tax result was after lower interest charges of £231,000 (£418,000).

Earnings per share amounted to 0.37p (0.4p) and the interim dividend is held at 0.2p.

Corporate Services makes £2m purchase

Corporate Services Group, the employment and training services concern, has acquired the Sight and Sound Group training operations from Trafalgar House for £2m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alumasc ....fin	8.05	Oct 29	7.45	11.75	11
Arcolectric ....int	0.555	Nov 15	0.555	-	1.11
Barratt Devs ....fin	3	Nov 19	2	4	2
Dolphin Pack ....int	1.7	Nov 11	1.7	-	[illegible]
Global § ....int	0.2	Oct 29	0.2	-	0.5
Intereurope Tech ....fin	5.8	Nov 19	5.4	7.8	7.4
I&S Optimum ....int	1.85	Nov 8	1.85	-	7.4
More O'Ferrall ....int	3.2	Nov 12	3.2	-	13.2
Next ....int	1.5	Jan 4	0.5	-	2.5
Norish ....int	4.47♣	Oct 15	4.47	-	11.47
PizzaExpress ....int	0.5	Nov 19	-	-	-
River/Merc Amer ....int	1.8★	Nov 5	1.8	-	7.8
Spirax-Sarco ....int	6.6‡‡	Nov 19	2.7	-	9.3
Spring Ram ....int	nil	-	0.103	-	0.348
Tibbett/Britten ....int	4.5	Oct 29	3.7	-	11.9
Tilbury Douglas ....int	10.5	-	10.5	-	33
UniChem ....int	2.2	Dec 31	1.9	-	5.65

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡‡Carries 50 per cent enhanced scrip dividend offer worth 9.9p. ♣Irish currency. ★Second interim; makes 3.6p to date.

Hostages to declining housing market fortunes

Andrew Bolger looks at the events leading up to the boardroom clear-out at Spring Ram

IN HIS eight short weeks as chairman of Spring Ram, Mr Roger Regan has become used to grim jokes about what he would do to the former stock market star – on the lines of "kitchen-sinking" the accounts and management bloodbaths.

Yesterday's announcement of a boardroom clear-out, heavy losses and a much-depleted balance sheet lived up fully to its lurid advance billing. But Mr Regan, a veteran of the building industry, also insisted: "I know this company is fundamentally sound."

Invited to take over by Prudential Corporation and other institutional investors, Mr Regan said that he and Mr Martin Towers, his new finance director, were confident they had got to the bottom of the Yorkshire company's problems. The chairman said: "We've turned over the whole field and made sure there's nothing else."

The new team at Spring Ram believes that the departing management at the bathroom and kitchens group became prisoners of their own propaganda, and the high expectations they had raised in the City of being able to maintain growth – even through the UK housing market's worst crash.

Founded by Mr Bill Rooney in 1979, Spring Ram rapidly became a leading producer of self-assembly kitchens and bathrooms by investing heavily in technologically advanced factories on greenfield sites.

However, problems began to surface in 1991, when the falling housing market made it increasingly difficult for the group to maintain the growth which had turned it into a highly-rated stock.

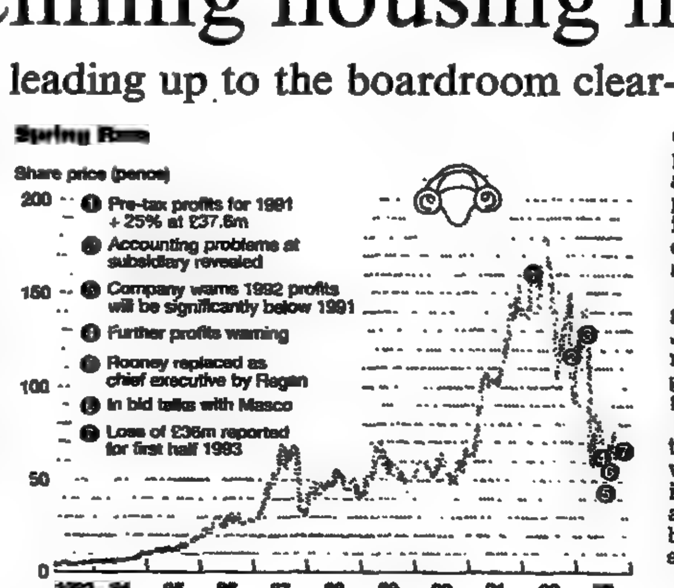
Mr Regan said: "Senior management did not want to recognise that the recession had happened, and kept up the pressure on managers to deliver."

Mr Towers said: "There was a culture of override by head office. Certain individuals went out of their way to wind it all up, and were still reaching for the sky as trading deteriorated."

The new finance director said it was these pressures which lay behind what he described as "very aggressive" previous accounting, such as the early booking of sales, treatment of grant income and spending on marketing and business development, and the sale and leaseback of plant and equipment.

The new chairman believes the departure of 10 directors – including three at board level – has removed the problem, and said financial staff and managers in the group were now relieved to be working in a more realistic environment.

He said Spring Ram's shift from having £45m in cash in the bank at the end of 1991 to its current position of carrying a significant level of core borrowings came as a surprise to most of the management.



The chairman believes that an important check on the business was lost when Mr Bob Murray, co-founder of Spring Ram with Mr Rooney, left the group in 1990. Mr Regan said: "As well as marketing drive, every business needs someone who goes around switching off the lights every night, and asks: 'What happens if this goes wrong?'"

The most expensive misjudgments by the old guard were the start-up last year of two businesses, Regency Doors and Artisan Tile, which Mr Regan said "were permitted to commence trading without the benefit of definitive business plans, and without an adequate appreciation of the technical, production and marketing issues surrounding the early development of the businesses."

The operations lost an aggregate £6.2m in the six months to July 3. Most of the losses were made at Regency, on which the group has to date invested a total of £46m.

Mr Regan's decision to keep them going is the most controversial and unexpected of his initial decisions, since analysts and institutional investors had been bracing themselves for an early closure.

The chairman acknowledges that the write-down involved would have blown such a substantial hole in Spring Ram's balance sheet that he would probably have had to seek a rights issue, but denied that was the deciding factor in the decision to keep them trading.

He was confident that Regency could be turned into a profitable, cash-generative business, although he anticipated between 12 and 18 months of reducing losses while technical and marketing problems were solved.

Mr Regan bases his confidence in Spring Ram as a whole on the high standing which he says the group's products have with its biggest customers, such as Texas and B&Q, the DIY multiples. But he believes that decentralisation within the group has been taken to excessive lengths, leading to unnecessary duplication of stocks and overheads.

Tighter control of cash should improve profitability, although the chairman was cautious about the group's full-year results.

Mr Regan is also keen not to take a public view of the share price. "I want the market to determine the value of these shares – if I give them all the facts, they will decide," he said.

Both Mr Regan's long haul on the trading side and the market's revaluation exercise could be cut short by a bid from prospective buyers such as Masco, the US building products group. Mr Regan will contact Masco, but said he did not expect any prospective bid would match the potential value of the business.

Meanwhile, the City is left to pick over the lessons of another fallen favourite. In many ways, Spring Ram was an unlikely go-go stock: no rights issues, few acquisitions and what was, until recently, believed to be an ungeared balance sheet. Spring Ram stuck out in one key respect, however: its apparent ability to defy declining markets.

Yesterday's red ink and resignations thus illustrate one of the stock market's oldest adages: "If a thing looks too good to be true, it probably is."

Auditors resign but vigorously defend role

By Andrew Jack

ARTHUR ANDERSEN formally resigned as auditors to Spring Ram yesterday following shareholders' concern over the firm's role. Price Waterhouse will take on the audit.

In an unusually public statement on a client matter, Andersen vigorously defended its role and stressed that it had served shareholders' best interests.

"We firmly believe that our role over the past few months has been crucial in keeping shareholders informed, albeit of certain unwelcome facts," it said.

The firm said that it had been responsible for forcing Spring Ram to issue a profits warning last year which first alerted the City to potential problems with the accounts.

"The new chairman and finance director have confirmed that their decision to use another firm to review the interim results bears no reflection on their regard for Arthur Andersen or for the role we have played," it said.

It argued that the only changes to pre-tax profits before the year to January 3 1993 related to changes in accounting policies and practices which had been fully disclosed in the accounts. It stressed that it had not been asked to review the interim figures to July 4 last year, which were substantially amended yesterday.

Mr Martin Towers, the new finance director, said of the Andersen performance: "It was not perfect but they were not responsible for the worst things."

The Andersen departure is the second high-profile case in recent months of an auditor resigning from a company after shareholder discontent, while arguing it had done no wrong.

Touche Ross tendered its resignation earlier this year as auditor to Trafalgar House following the company's reprimand by the Financial Reporting Review Panel, the UK accounts watchdog.

Improved UK orders expected to make up for France and Belgium

Recovery for More O'Ferrall

By Catherine Milton

THE REVERSAL of a two-year decline in its main markets helped More O'Ferrall, the hoardings and bus shelter advertising company, more than double pre-tax profits from £936,000 to £2.08m in the six months to June 30.

Sales at the company, which has operations in the UK, the Irish Republic, France, Belgium and Taiwan, climbed to £31.6m (£28.6m) in spite of the sale of two US businesses at the beginning of this year.

The shares rose 22p to close at 330p.

Mr Brian Turnbull, finance director, said: "Most of our revenue and operating profits are earned in the second half of the year. The downward trend seen in 1991 and 1992 has been reversed and the company is now growing and growing profitably".

Mr Russell Gore-Andrews, chairman, said: "The position in the UK improved in the second quarter. In the third quarter that improvement was maintained.

"It is still a market which is patchy and the all-important fourth quarter at this stage is still wide open."

He added that the improved level of orders in the UK should compensate for any shortfalls in France and Belgium.

The company is watching developments in the planned privatisation of London Transport Advertising, the London Transport department which is the capital's largest poster contractor and generates sales of £23m a year.

"They would certainly offer a very interesting opening in the London market", said Mr Gore-Andrews, adding that the company's bus shelter business would not be affected.

Mr Gore-Andrews said tobacco advertising now accounted for 7 per cent of turnover in Belgium and about 6 per cent in Britain, but the company had acted to minimise the impact of any possible ban throughout Europe.

"The job of our marketing has been to broaden the base of customer demand in all our markets, so that we are not too dependent on one sector."

Currency fluctuations translated revenue falls in local currencies into revenue gains in sterling in both France and Belgium.

The Belgian business turned in operating profits down at £1.11m (£1.32m), in spite of an increase in sites. Turnover was £6.15m (£5.49m).

Mr Turnbull said last year's "fairly drastic cost cutting measures" had helped the French activities lift operating profits to £603,000 (£263,000) on turnover of £6.3m (£5.42m).

Operations in Taiwan posted a "useful" £148,000 operating profit against last time's £28,000 loss. Turnover was £494,000 (£1.23m).

In the UK and Ireland, the company's main market, a sales increase to £18.7m (£16.5m) resulted in an operating profit of £958,000 (£241,000), with the number of sites increased by 170.

Interest charges fell to £744,000 (£857,000).

The interim dividend is unchanged at 3.2p, payable from earnings per share ahead to 4.4p (2.1p).

Offshoot sale lifts Tilbury Douglas

By Maggie Urry

TILBURY DOUGLAS, the construction group, lifted interim pre-tax profits from £6.98m to £12.8m, with the help of a £6.78m profit on the sale of a subsidiary. The shares were unchanged at 595p.

Mr Michael Bottjer, chief executive, said trading conditions remained difficult in the first half although there were now signs of a slow recovery in the UK.

The group is "avidly" searching for acquisitions, he said, and has net cash of £14.4m – up from £4.83m a year earlier and £6.94m in the 1992 balance sheet – following the sale of Douglas Concrete and Aggregates in May for £14.7m, which gave a net cash benefit of £10.8m.

Mr Bottjer said work in hand in the construction division was about the same as a year ago, although there had been an increase in the proportion coming from overseas from 3 to 12 per cent.

Margins were better in places such as the Middle and Far East than in the UK, he said, and the group aims to increase further the proportion of its overseas work.

In the UK, he saw little sign of recovery in mainstream contracting until towards the end of 1994. However, some specialist areas, such as heavy electrical contracting and process engineering were good.

Others, such as interior contracting, largely for the big retail groups, and piling and foundation work, both of which had suffered in the first half, were now enjoying a busy period.

The group's Scottish housebuilding business had a good first quarter. Although business dropped off in the second quarter, it had revived again since the end of June.

Group turnover was down 11 per cent at £169.3m, with that from continuing operations down a similar percentage at £166.2m. Pre-interest profits from continuing operations fell 34 per cent to £3.33m, with Douglas Concrete contributing £505,000 (£352,000). Associates made £248,000 (£28,000).

Interest received rose from £1.56m to £1.94m. Earnings per share, boosted by the Douglas Concrete sale, rose from 13.9p to 26.9p. The interim dividend is maintained at 10.5p.

PizzaExpress at £1.42m and continues expansion

By Catherine Milton

PIZZAEXPRESS sold more than 3m of its upmarket pizzas in the 134 days between coming to the market via a reverse takeover in February and its June 30 year end, helping the company to lift pre-tax profits from £119,000 to £1.42m for the year.

In spite of improved earnings per share of 4.7p (1.9p), the board is not recommending a final dividend as promised at the time of flotation because High Court permission to dip into reserves came too late. Instead, in November, the board is to pay a first interim dividend of 0.5p for the six months to February next year, and is likely to pay another at that stage.

Turnover rose from £7.33m to £15.7m. Mr Peter Boizot, founder of PizzaExpress and now non-executive chairman, said: "It's not surprising the company's done well since it's come from a good base."

The pizza and distribution business achieved sales of £8.22m in the four-and-a-half months since its acquisition by Star Computer, with computing, which the company has now sold, having turnover of £7.51m.

The company, which owns 29 restaurants and franchises 41, aims to fund up to 10 new pizzerias annually, and plans to own half the outlets.

Mr David Page, managing director, said the company was "absolutely committed" to the "quality and value" of its pizza. Some suppliers had been changed but only where quality was held and price improved.

Mr Boizot said: "I don't think they have moved that many suppliers. They have changed a rather splendid and unique wine that we had into one that is a little more popular. Maybe that's what pizza eaters want."

Trading in company restaurants had been strong, Mr Page said, with sales up about 8 per cent in the February to August period with both increased customer volume and expenditure per head. There had been a similar pattern in the franchised restaurants.

That improvement had also benefited the wholesale and beer importing divisions.

Net interest received fell to £2,000 (£32,000).

The group has no debt following a rights issue at the time of the flotation and at the year end had net cash of £2.4m.

Since June 30 the restaurants and distribution company has exchanged contracts for the sale of the computer business for £2.23m including the repayment of £1.73m inter-company debt. PizzaExpress will receive £100,000 in cash and hold 20 per cent of the new company, valued at £400,000, which will retain a three-year buy-back option.

Fleming Chinese ups issue size

By Bethan Hutton

FLEMING Investment Trust Management has increased the issue size of the Fleming Chinese Investment Trust from a maximum of £50m to £60m, after greater than expected demand during the placing stage.

Indications of interest have been received for 45m ordinary shares at 100p, with one warrant attached to every five shares. Up to 15m shares are available through the public offer, which opened yesterday, and closes at 10am on Friday October 8. Dealing is expected to start on October 19.

Expenses for the issue will be capped at 3.5 per cent, and the annual management charge will be approximately 1.45 per cent.

The portfolio will be managed on a day-to-day basis by Jardine Fleming in Hong Kong. It will invest in Chinese companies listed in China and Hong Kong, and non-Chinese companies deriving a large part of their profits or revenues from China.

The number of companies with shares available to foreign investors listed on Chinese stock exchanges is low; demand is high, however, so only a small portion of the fund will initially be invested directly in China.

The fund's objective is capital growth and the shares are not expected to pay a dividend.

Sterling devaluation behind 9% increase at Spirax-Sarco

By David Blackwell

SPIRAX-SARCO Engineering, the steam equipment specialist which makes 75 per cent of its sales overseas, lifted first-half pre-tax profits by 9 per cent from £10.5m to £11.4m on the back of sterling's devaluation.

The group estimated that the change in exchange rates was worth £1.2m on pre-tax profits.

Earnings per share were 10 per cent ahead at 8.6p (7.8p). The interim dividend goes up to 6.6p (2.7p), equal to the 1992 final dividend.

In order to reduce advance corporation tax ahead of the November budget, it is offering an alternative enhanced scrip dividend worth 9.9p per share. It estimates the ACT saving at £1.3m if there is a 90 per cent take-up. UBS will buy back the shares at a minimum value of 9.702p, or 98 per cent of the value.

Mr Chris Tappin, executive chairman, said the group saw no tangible sign of improved trading conditions in its main markets. However, the group's fundamental strengths had enabled it to advance. He defined these as a diverse customer base; a broad geographic spread; a 50 per cent replacement element, and its world market leadership.

Spirax last year made 18 per cent of sales in the UK, 31 per cent in the Americas, 30 per cent in continental Europe and 21 per cent in Asia and the rest of the world.

Turnover for the half was ahead 11 per cent at £90.8m (£81.4m). The latest figure included £5.3m from the acquisition earlier this year of its Italian licensee and a 25 per cent stake in its Spanish licensee. Last year's figure included £6.7m from the Drayton domestic heating controls business sold in March.

Interest payable fell to £651,000 against £798,000. Net borrowings at the end of June were £24m (£17m at end of December), giving gearing of 30 per cent (20 per cent).

British Gas fined over billing irregularities in Argentina

By John Barham in Buenos Aires

BRITISH GAS, which operates Metrogas, the biggest gas distribution company in Argentina, is to be fined between $100,000 (£65,000) and $500,000 by Argentine government regulators for irregularities in billing to consumers.

Mr Raul Garcia, head of Enargas, the regulator, said: "We have noticed very many complaints from clients about excessive billing by Metrogas", and inspectors were investigating. However, an Enargas official said a decision had been made in principle to fine the company but the final decision on the amount would be taken once investigations were completed.

Metrogas, 29 per cent owned by British Gas, was privatised last December in a $300m cash and debt for equity swap. It distributes gas in Buenos Aires and nine surrounding districts.

Mr Rob Verrion, Metrogas president, said complaints stemmed from increased consumption during the winter and higher than expected bills because of the introduction of meter reading; previously, consumption was often understated by estimated meter readings. Metrogas said complaints were running at only 3 per cent of the 45,000-50,000 invoices posted daily.

Mr Verrion claimed the investigation was politically motivated. He said elections were due on October 3 and "someone took it into their head to make an issue of this." He said Metrogas was a target as privatised companies were the subject of "many complaints because privatisation was sold as a solution to problems and they're not. They're just the beginning of the solution."

Alumasc rises 5% and makes building products purchase

By Tim Burt

ALUMASC, the manufacturer of beer kegs, precision components and building products, yesterday announced an increase of 5 per cent in annual pre-tax profits and the acquisition of MR Holdings for an initial £6.4m.

In the year ended June 30 1993 profits advanced from £7.2m to £7.55m, on turnover reduced to £44.9m, compared with £45.3m.

Mr John McCall, chairman and chief executive, said the increase had been achieved without any improvement in economic conditions or large acquisition activity in the year.

It was mainly through previous restructuring and earlier acquisitions to reduce dependence on the beer keg market, he said.

MR, a privately-owned external wall insulation company, will bolster Alumasc's building products division.

The acquisition will be funded initially by the issue of 730,000 shares, of which 552,000 are being placed with institutional and other investors, and £2.4m cash. Further profit-related consideration is payable up to a maximum £2.25m cash.

MR made a pre-tax profit of £1.1m from sales of £7.8m in the year to June 30 1993. Mr McCall said the acquisition would enhance the prospects of the building products division, where operating profits fell from £3.8m to £3.1m over the year.

Difficult trading conditions in other parts of the group, such as Euroroof where sales declined 20 per cent to £7m, were offset by growing demand for new beer kegs and increased operating profits in the precision components division.

Demand for kegs helped the container division increase operating profits by £860,000 to £2.5m, while operating profits in components rose 9 per cent to £1.65m. Mr McCall said the improvement in components was achieved in spite of problems associated with customers not taking up expected orders.

Overall, the group's performance benefited from the lower cost base resulting from earlier rationalisation and redundancies, he added. The affect of these measures enabled the company to retain a net cash balance of £5.3m (£3.5m).

Earnings per share rose to 33.9p (31.3p). The final dividend is 8.05p, bringing the total to 11.75p (11p).

It is proposed to subdivide the 25p shares into 12½p to assist marketability. The shares were unchanged at 570p yesterday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglia TV, Antofagasta, Ashley (Laura), Bilston & Battersea, Culver, Dagenham Motors, Donelon Tyson, Erith, Fired Earth Tiles, Foreign & Colonial Pacific Tst, Guest, Guinness, Hampton, Hay (Norman), Highcroft Inv Tst, Kinta Kellas, Morrison (Wm) Supermarkets, Pittards, Quality Software, Secure Tst, Servomex, TT, Travis Perkins, United Energy, United Newspapers, Wembley.

Finals- Green (E), Harmony Leisure, Murray Ventures, Ricardo, Throgmorton Dual Tst, Tor Inv Tst.

FUTURE DATES

Interims-	
Atlas Converting Equip	Sep. 30
Cambridge Isotope	Sep. 30
David Brown	Oct. 6
Jacks (William)	Sep. 27
Norcros	Nov. 9
Time Products	Oct. 5
Wensum	[illegible]
Finals-	
Barry Wehmiller	Oct. 5

Chemring purchase

Chemring Group has paid $4.7m (£3.05m) cash for Alloy Surfaces, a Delaware-based maker of pyrotechnic products for military and civil purposes together with wear resistant and anti-corrosion coatings for aero engine components. Vendor was Matec Corporation.

Food ingredients prove the key to healthy growth

Kerry, the Irish food company, looks set to expand into an international force, reports Tim Coone

THE DISTINCTIVE country smells of silage-making and muck-spreading fill one's nostrils on stepping off the commuter aircraft at Kerry airport in the west of Ireland at this time of year.

A patchwork of green fields, lush with tender grass, spreads for miles in every direction. Just up the road, lies Tralee, whose main claim to fame was as a former garrison town for British troops, and where the girlfriend of a lovesick Irishman was to become immortalised in the ballad, "The Rose of Tralee".

Over the past 20 years though, one of Ireland's largest food companies has emerged from this agricultural backwater. It is largely the result of the commitment of 5,000 small dairy farmers and the acumen of its executives who have transformed a small dairy co-operative with turnover of I£1m in 1974 into an international food business with an annual turnover now exceeding I£800m (£755m).

The group has emerged as the leader among the quoted Irish food stocks, and the one considered by market analysts most likely to achieve the scale and financial muscle necessary to compete in the international food industry by the end of the decade.

At its annual meeting earlier this year, Mr Denis Brosnan, the managing director, said that the company's five-year plan envisaged it achieving turnover of I£1.5bn and profits of about I£50m. This would continue the group's now-established trend of doubling turnover and profits every five years.

"Kerry is a steady, consistent company. They lay out their development strategy for a five-year period ahead and then set about achieving it exactly as planned," said Mr Joe Gill, food sector analyst with Riada, the Dublin stockbrokers.

Pre-tax profits for the current year are forecast by Mr Gill to reach some I£34.3m following an interim result last month of I£13.6m, a 28 per cent increase. He expects earnings per share to reach 20p by 1994, up from 15.8p last year and a forecast 17.8p for 1993.

Key to Kerry's growth and success has been its diversification out of dairy processing into meat processing, and more important, into the food ingredients industry.

Mr Brosnan said that in the early 1980s, the group lost 20 per cent of its milk volume because of a brucellosis eradication programme in the company's milk catchment area in Kerry. "At that point we decided to diversify," he said.

An aggressive acquisition programme followed, financed by share issues, borrowings and cash.

Milk now forms just 25 per cent of the group's business. Food ingredients accounted for almost 40 per cent of turnover in the first half of 1993, and is the highest margin and fastest-growing part of the business.

Kerry's main acquisition in this sector took place in 1988 with the purchase of Beatreme in the US, which Mr Brosnan said "produced a major change in our organisation".

Concentrating first in dairy-based food ingredients – large quantities of casein, a by-product of milk processing, are shipped to the US from Kerry's Irish plants – the group has since expanded into other niches of the market to the point where it is now a leading supplier of specialised food ingredients in the US.

And following recent acquisitions in Europe, it is positioning itself well in the EC food ingredients market.

Spending some I£4m annually in research and development, Kerry has established itself as a principal supplier to some of the leading convenience and snack-food producers in the US, which have preferred to source from specialist suppliers such as Kerry and cut back their own R&D expenditures on ingredients.

Mr Gill said that "the European snack food market is rapidly consolidating with a small number of [US] companies emerging to dominate the sector ... this trend suggests the EC market will evolve to resemble that of the US, where Kerry is already a leading supplier of ingredients to the industry".

Mr Brosnan said he anticipated the group would eventually become a worldwide manufacturer of food ingredients.

In the immediate future the company plans expansion in the US, Latin America and the EC, and possibly the Far East, but will it have the financial wherewithal to maintain the momentum of its exponential growth rate and achieve its next five-year target?

One restraining factor is the group's hybrid co-operative-plc structure. Some 55 per cent of the group's shares are held by Kerry Co-op, the plc's founder, which in turn is held by 5,000 farmer-shareholders. These have loyally supported the group through three rights issues, but there is a market perception that the group needs to further diversify its shareholder base if it is to continue its expansion.

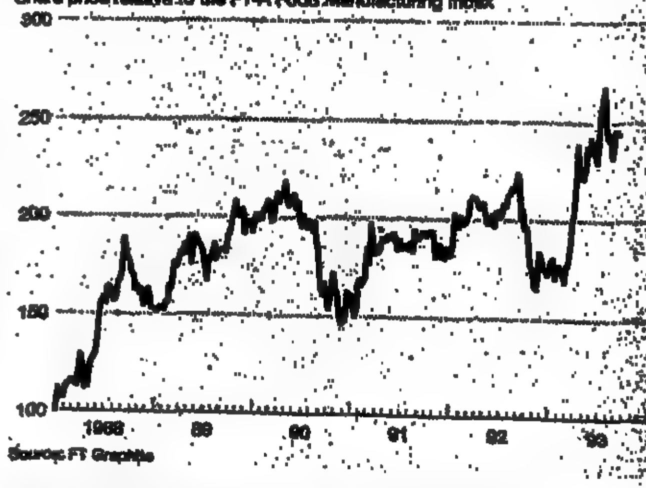
Rights issues and placements have raised a total of I£60m since flotation, and the co-op shareholding has been gradually diluted from 83 per cent to 55 per cent today. Mr Brosnan says there are no plans for the time being to reduce the co-op holding below 51 per cent, although it is widely believed that Kerry will be the first of all the Irish co-op-plc hybrids to do so.

Last month, the co-operative's 90m B shares were converted pari passu to ordinary A shares. Five per cent of the farmers' 8m shares in the co-operative were simultaneously converted on an 11-to-1 basis into A shares in Kerry Group, giving the farmer-members their first freely-tradeable shares as individual shareholders, rather than holding all their stake through the co-operative.

Each share in the co-operative is thus now worth I£30.8 at the current A share price of I£2.80. Put another way, an individual Kerry farmer having invested I£1,000 in the co-op in 1974 and followed the subsequent rights issues, would today have an investment worth I£250,000 in Kerry Group. Few other farmers in Ireland could boast that sort of compound growth in their assets. Irish fund managers who presently hold most of the A shares have already taken note.

Kerry Group

Share price relative to the FT-A Food Manufacturing Index



Source: FT Graphite

ANNOUNCEMENT

1. The Onderlinge Waaborgmaatschappij OHRA U.A. mutual assurance company, with registered office in Arnhem, The Netherlands, in this matter represented by B.J.J.M. Huesmann, Managing Director, hereby informs all those whom it may concern, that it (the company), with permission from Verzekeringskamer granted by the degree of 2 September 1993 has, as of January 1993, transferred all rights and obligations resulting from or on the basis of agreements for insurance against loss or damage reached from a branch in The Netherlands, to the Public Limited Liability Company (according to Dutch Law) OHRA Ziektekostenverzekeringen N.V. Medical Expenses Insurance, with registered office in Arnhem, at Groningensingel 51 (6835 EB Arnhem), in the framework of that company's operation from a branch in The Netherlands.
2. The transfer referred to in paragraph 1 shall apply exclusively to all agreements for insurance against loss or damage belonging or having belonged to the loss or damage insurance business run by the Onderlinge Waarborgmaatschappij OHRA U.A., whereby the risks are insured in the United Kingdom. All other agreements for insurance against loss or damage shall be transferred by means of a separate agreement.
3. This transfer is in accordance with Article 53, paragraph 1 of the law on the Supervision of Insurance Business published in the Official Publication of Laws and Statutes of 8 January 1993 number 5.
4. For all interested parties, other than the insurers in question, the transfer shall take effect from the day following the day of issue of this Official Publication of Laws and Statutes.
5. Any insured party shall be entitled, on the basis of Article 53, paragraph 4, of the abovementioned law, to terminate in writing their agreement for insurance against loss or damage with the Public Limited Liability Company (according to Dutch Law) OHRA Ziektakostenverzekeringen N.V. within 90 days following the day of issue of this Official Publication of Laws and Statutes, to take effect as from the 91st day following said date.
6. In the event of such termination, the Public Limited Liability Company (according to Dutch Law) OHRA Ziektekostenverzekeringen N.V. shall make pro rata restitution of premium payments on the basis of gross premium, in accordance with the stipulations of Article 53, paragraph 4 of the abovementioned Law.

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Metal prices lose Russian crisis gains

By Kenneth Gooding, Mining Correspondent

METALS PRICES reacted only briefly yesterday to the threat that political turmoil in Russia might affect exports to the the west. After opening strongly, most prices dropped back when it became clear that consumers were not panicking and rushing to buy.

Although Russia is a big supplier of aluminium, copper and, especially, nickel, London Metal Exchange stocks are at present very high and highly visible.

Gold, which leapt $10 to $365.50 a troy ounce in New York immediately after the news that Russian premier Mr Boris Yeltsin had dissolved his parliament, closed last night in London less than $1 ahead of Tuesday's close at $354.25.

Ms Rhona O'Connell, analyst at the T. Hoare and Company financial services organisation, said she expected gold to "spend a little more time between $348 and $360 before staging a convincing move into a new trading range based off $360, probably by the start of October". That would represent the start of the second leg of the bull market. "This does not mean rapid appreciation, but a solid, underlying upward trend."

Mr Nick Moore, analyst at the Ord Minnett financial services group, pointed out that "huge western inventories will ensure there is no immediate consumer concern about base metals availability". Nevertheless, market sentiment, at present very depressed, should improve after the events in Russia. However, there was danger if prices rallied to a point where western metal producers delayed desperately needed cuts in capacity. "This is what happened in the Gulf war and that delayed necessary supply rationalisation for a year."

Reuter reported from Moscow that Russian traders, accustomed to political upheavals, said it would be business as usual during the latest crisis. Norilsk Nickel, the world's biggest producer of that metal, said business would not be affected and contracts would be honoured.

Coffee producers meet to finalise export pact

By Bill Hinchberger in Sao Paulo

REPRESENTATIVES of about 40 of the world's leading coffee producer nations are meeting today and tomorrow in Brasilia to finalise an agreement to retain stocks as a move to boost prices.

Between them they countries represent about 90 per cent of world exports.

Scheduled to take effect in October, the scheme they have agreed upon envisages the retention of 20 per cent of each country's exports until the price of coffee reaches 75 US cents a lb; 10 per cent will be retained until the price hits 80 cents. Above that level, there will be no retention.

Each country will be responsible for implementing its own retention plan.

The world's most important coffee producer, Brazil, intends to cover exporters' costs by purchasing stocks ear-marked for retention. It will pay them 80 per cent of face value, deducting taxes and estimated profits, calculated at a combined 20 per cent of the sale price, says Mr Gilson Ximenes, director of the National Coffee Department of the Ministry of Industry and Commerce.

Concerns about the ability of the financially troubled Brazilian government to meet these obligations have been played down by Mr Jose Eduardo de Andrade Vieira, minister of industry and commerce.

Producers have already agreed to establish a new organisation called the Association of Coffee Producing Nations, with headquarters in Brasilia. It will monitor the retention programmes of individual countries, with the assistance of an independent auditor.

● Germany will sign the new international cocoa agreement aimed at strengthening international co-operation and stabilising the markets on October 1, the agriculture ministry said yesterday, reports Reuter from Bonn.

The new agreement, hammered out by producer and consumer members of the International Cocoa Organisation earlier this month and based on a production management policy, is scheduled to come into effect on that date.

Canadian diamond discovery looks very promising

By Bernard Simon in Toronto

BHP MINERALS of Australia and its Canadian partner, Dia Met Minerals, are expanding their operations in Canada's Northwest Territories amid growing indications that they have discovered one of the world's richest diamond deposits.

The two companies say that they have decided to build a bulk-sampling plant and a camp capable of housing 110 people on their prospecting claims in the Lac de Gras area, 310km (190 miles) north-east of Yellowknife.

An underground working area is also under construction at the site to extract samples from one of two especially promising kimberlite pipes – kimberlite is the dark, usually blue, soil in which diamonds are found. The plant will test samples of between 3,500 and 5,000 tonnes from each of the two pipes.

Investors responded enthusiastically to the latest test results released by BHP and Dia Met.

Dia Met's share price soared C$6.50 in early trading on the Toronto stock exchange yesterday to C$53.50 (£26). Share prices of other companies involved in the Northwest Territories diamond rush also climbed sharply.

Analysts at Pacific International Securities of Vancouver said in a report yesterday that it was confident Canada would become a major diamond producer, and that the Lac de Gras property would remain in production for "many decades".

BHP and Dia Met say that they have discovered a total of 26 kimberlite pipes in the Lac de Gras area. Based on valuations by diamond specialists in Antwerp and London, stones discovered in three of the pipes have a value of between US$81 and $112 a carat. According to Pacific International, gem diamonds recovered from the Jwaneng mine in Botswana, the biggest producer of gem quality diamonds, have an average value of about $100 a carat.

One of the Lac de Gras pipes yielded 62.11 carats from a sample of 49.8 tonnes, with 31 per cent of the stones identified as being of gem quality. A sample of 80.5 tonnes from another pipe yielded 40 diamonds with a diameter of more than 1mm, among which was one colourless stone measuring more than 2mm.

EC postpones 'green' currency changes

By David Gardner in Brussels

THE EUROPEAN Commission has postponed for a month changes in the European Community's complex "green money" system for translating farm price supports into national currencies.

But Brussels is under strong pressure from Germany to re-link common agricultural policy prices to a rising D-Mark, a move that would bust an already-strained farm budget and complicate delicate negotiations within the Uruguay Round trade talks, where France is threatening to veto the farm chapter.

After inconclusive talks on Tuesday night, the commission told EC farm ministers it would bring proposals on the agri-monetary problem to the next Council of Ministers meeting Luxembourg on October 20.

The root of the problem is Germany's desire to protect its farmers from losing income as a result of the D-Mark revaluation against other EC currencies, in the wake of the August 2 decision to float all currencies within 15 per cent fluctuation bands of the European exchange rate mechanism.

Until August 2 every ERM realignment pushed up every member state's farm prices to follow the movement of the strongest currencies, invariably the D-mark but also often the Dutch guilder. This so-called "switchover" mechanism to protect German farmers is now in abeyance because the wide bands make formal ERM realignment near impossible.

But the ERM chaos from last September to August 2 had already meant an extra charge to the farm budget of Ecu1.5bn (£1.15bn) as a result of "switchover."

Since August 2, the commission had been adjusting national farm prices every three trading days, leading to several revaluations of the "green" French franc and Danish krone – at the expense of German and Dutch farmers. Ten days ago, however, Brussels froze any further changes, partly as a sop to Germany, which had demanded a special meeting of the Council of Ministers to address the issue. That freeze will now remain in force until October 20.

"We've had a lot of pressure from the Germans in the past few weeks," a senior British agriculture negotiator acknowledged.

As things stand, the commission maintains that restoring "switchover" would add a further Ecu1.42bn to farm spending. Its own proposals, for compensating farmers affected by currency appreciation, would cost Ecu870m for each 1 per cent revaluation between 1994 and 1998, Brussels estimates.

But this is a sliding scale formula targeted on some national farm prices; switchover affects all farm prices and locks the spending into the budget "for ever", as one commission official put it.

Switchover has led to heavy inflation of the "green" Ecu, giving it a D-mark-loaded value now 21 per cent over the value of the market Ecu. To weight the common green currency even further in favour of the D-mark would make it almost impossible for the EC to bring farm prices down to world market levels – the goal of last year's CAP reforms. The consequences within Gatt – if the commission caves in to German demands – would be profound.

The French demands for more concessions on farm trade are intended to ensure that the 21 per cent cut in subsidised food exports agreed in last November's Blair House agreement between the EC and the US will never have to be applied. If EC prices reach world level, export subsidies will become redundant and France and its partners will be able to export what they want without any restraint except finding buyers.

The price cuts of nearly one third agreed under CAP reform make reaching world price-levels a realisting possibility by about 1997 – provided the Council of Ministers stops chipping away at the reform's mechanisms for restraining production. But if prices are again hitched to a rising D-Mark, the effect of those price cuts will be badly eroded and the Blair House 21 per cent curbs on subsidised exports will come into play.

The commission's best ally in resisting Germany is the need for EC budget restraint, something Bonn insists on in everything except its own farm interests. France itself will resist making its lucrative farm exports hostage to the fortunes of the D-Mark, while the UK is taking a very hard line on maintaining the farm budget ceiling.

"We recognise that there is a political problem to be solved," said one senior UK official, "but let's face it, we can't solve it by conjuring up cash which doesn't exist".

UK FOOD manufacturers yesterday reacted with frustration and dismay to the European Commission's decision to continue the freeze on changes in "green" currency rates until the next farm council on October 20, writes Alison Maitland.

The Food and Drink Federation, which complained about the September 9 freeze to Mr Rene Steichen, EC agriculture commissioner, said it was disappointed with the decision to continue it.

"We're very apprehensive about what the commission might propose at the October council, particularly if it involves any extension of the switchover mechanism," said Ms Helen Williams, EC and international policy executive.

"There are agrimonetary rules that are up and running and we don't see why there's a need to change them the first time that German and Dutch farmers are faced with a cut in their support prices."

Mr Paul Williamson, external affairs director for Cadbury Schweppes and president of Caobisco, the European chocolate, biscuit and cake association, said the continued freeze meant even more uncertainty for manufacturers. Since the start of the year, "green" currency rates had tracked real exchange rates and companies had been able to hedge against changes in currency. The freeze left them unable to protect themselves.

"Prices should be varying," he said "That's what we planned for and if you've taken protection against that then you're faced with a risk now."

Mr John Bradbury, group buying director for United Biscuits, said: "The best thing of all would be if we could all get agreement to price everything in Ecus. I optimistically carry five Ecus around in my pocket".

Wind of change hits Cuban agriculture

This year's storms have brought tentative reform in their wake, writes Canute James

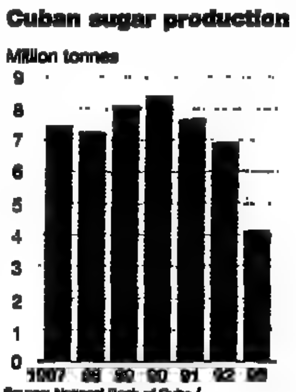
THE CUBAN government is reorganising its agriculture in an effort to lift production of domestic crops and end chronic shortages, as well as to strengthen the weakened sugar sector, on which the island's economy is heavily dependent.

Cuban agriculture has been hit hard by a reduction in the availability of inputs because the economy is strapped for hard currency to finance imports. This has been compounded by two bouts of bad weather earlier this year that lead to flooded fields and heavy crop losses.

The government's new strategy is based on allowing increased private participation in agriculture, with the establishment of new co-operative and individually-run farms. But these will still operate within the framework of a centrally-controlled economy.

It has also announced that the impending sugar harvest will start earlier than normal, and will be shortened, to allow cane farms more time to plant for future harvests, and to give the industry a chance to recover from the lack of chemicals and machinery and the effects of the bad weather.

Cuban sugar production



Source: National Bank of Cuba / State Committee for Statistics

A freak storm in March, which brought high winds and heavy rain, flattened and flooded thousands of acres of canes and reduced the sugar content of the plants that could be reaped. It also destroyed and blocked roads in farming areas and damaged several of the country's 157 sugar mills.

Cuba's citrus industry also suffered, as did potato and fruit growers. The cost of the storms to the economy, including damage to roads, buildings and agriculture, was put by international aid agencies at between US$1bn and $1.5bn. In early June the island's agriculture was again hit by heavy rains brought by a tropical depression.

In the wake of shortages of locally-produced food caused by the bad weather, the Cuban government has said it will give some degree of administrative and financial independence to the new co-operative and individual farmers, who are being given state-owned land.

The intention, said the government, was to increase the output of a range of agricultural products, including sugar, by giving farm workers an incentive to produce. Their earnings will be determined by the productivity of the co-operatives.

The new co-operative farms will continue to be supervised by the state while exercising autonomy in day-to-day management. They will work the land for an indefinite period, will own and dispose of what they produce, and will have their own bank accounts.

The changes, which the government says are "innovative", are coming seven years after the sudden termination of another programme to encourage private farming and marketing of domestic food crops. The government said then that some private peasant farmers and distributors had become corrupt and too rich at the expense of consumers.

This year's bad weather compounded already serious problems for the sugar industry. Mills had been running about 35 per cent behind target at the end of February, mainly because of the government's inability to import adequate fuel and replacement parts. Cane production and milling had also been set back by shortages of chemicals such as fertilisers and pesticides, and spares and of fuel for harvesters, trucks and tractors.

The faltering economy has been dealt a body blow by the failure of this year's harvest. Production was 4.15m tonnes, 40 per cent less than last year and half the level reached in better years. The government was forced to cancel shipments to some buyers, further reducing foreign earnings.

The government is basing its plans for a recovery on growing more cane, and is apparently expecting another poor harvest next year. Mr Nelson Torres, the sugar minister, has said the next harvest will begin and end early, making way for increased cultivation "in order to have a much greater volume of cane for the next harvests".

The minister has exhorted workers in the sugar industry to be more efficient, and said the government was hoping that the next harvest would be bigger than the last. Analysts have said that the volume of cane that Cuba will produce for the next harvest, and the state of the mills, indicated higher output next year, but not more than 5.2m tonnes.

WORLD COMMODITIES PRICES

MARKET REPORT

The London Commodity Exchange's robusta COFFEE market recouped most of its early losses yesterday as New York prices recovered from Tuesday night's sharp sell-off. The rally, from a low of $1,225 a tonne for the November futures position, was encouraged by confirmation that Brazilian financing for its role in the producer retention scheme was in place. Rumours of problems concerning financing, technical liquidation and a stronger dollar after news of the power struggle in Russia had all pushed US prices lower on Tuesday evening. At the close London's Novemeber price stood at $1,270 a tonne, $2 down on balance. LCE COCOA prices went from strength to strength in the morning as the market, supported by a weaker sterling, seemed content to resume the uptrend after Tuesday's downward correction. In the afternoon the December contract pushed to a new second position peak of £936 a tonne, the highest since June 1990 when the market reached £949, the next technical target. "People are taking insurance against the market going up further. So many have run short for such a long time," one trader said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$14.03-4.14z	-0.24
Brent Blend (dated)	$15.88-5.90	-0.24
Brent Blend (Nov)	$16.28-6.30	-0.24
W.T.I (1 pm est)	$17.53-7.55z	-.265
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	
Gas Oil	$170-171	+1
Heavy Fuel Oil	$60-62	
Naphtha	$148-149	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$354.25	+0.95
Silver (per troy oz)♣	408.00c	
Platinum (per troy oz)	$361.00	+0.75
Palladium (per troy oz)	$123.00	-1.5
Copper (US Producer)	[illegible]	+0.5
Lead (US Producer)	[illegible]	-1.13
Tin (Kuala Lumpur market)	[illegible]	+0.04
Tin (New York)	201.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	117.84p	-1.16*
Sheep (live weight)†♠	82.81p	+3.22*
Pigs (live weight)†	64.40p	-0.12*
London daily sugar (raw)	$258.0	-1.8
London daily sugar (white)	$285.0	-4
Tate and Lyle export price	£281.5	+1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120u	
Wheat (US Dark Northern)	£168.5z	+1.5
Rubber (Oct)♥	58.00p	+0.5
Rubber (Nov)♥	58.25p	+0.5
Rubber (KL RSS No 1 Jul)	205.5p	[illegible]
Coconut oil (Philippines)§	$407.5v	-7.5
Palm Oil (Malaysian)§	$342.5v	-7.5
Copra (Philippines)§	$290.0	
Soyabeans (US)	£133.0	+1
Cotton "A" index	[illegible]	
Wooltops (64s Super)	326p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Oct/Nov u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Dec	273.30	271.80	273.50 269.40
Mar	276.30	274.20	277.10 271.50
May	278.80		279.30 277.50
Aug	[illegible]	282.10	284.10 283.10
Oct	276.30		276.30 274.50
Dec	277.80		277.80 276.50

Turnover 1669 (637) Paris- White (FFr per tonne): Dec 1553.95 Mar 1569.35

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	16.26	16.66	16.70 16.25
Dec	[illegible]	16.89	16.85 16.48
Jan	16.72	17.08	17.01 16.69
Feb	17.00	17.27	17.12 16.99
Mar	17.03	17.53	17.20 17.03
Apr	17.27	17.64	17.53 17.27
May	17.32	17.73	17.44 17.32
Jun	17.40	17.86	17.56 17.40
Jul	17.55	17.91	17.61 17.55
IPE Index	16.65	16.35	

Turnover 31334 (54843)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Oct	165.50	164.50	167.00 165.00
Nov	166.75	166.00	168.00 165.25
Dec	168.00	167.25	169.25 166.50
Jan	168.75	168.25	168.75 167.50
Mar	167.25	166.75	167.25
Apr	165.50		166.00
Jun	161.50	161.00	162.00 161.00

Turnover 18051 (14832) lots of 100 tonnes

WOOL

Demand for wool is still holding up very well at auctions in Australia and New Zealand. Clearances are good, with as much as 97% of the offering at Sydney sold yesterday, though 90% is more typical. Prices are firm and occasionally a little dearer, with the AWC market indicator up another 2 cents to 433 cents a kg. on September 22, compared with 428 a week before. Postponement rather than removal of the Garnaut stockpile disposal threat is seen as a factor helping to bring about a more active market spell, but longer term anxieties persist

COCOA – LCE £/tonne

	Close	Previous	High/Low
Sep	894	870	900 880
Dec	922	904	936 909
Mar	949	933	966 936
May	967	943	971 947
Jul	963	951	972 957
Sep	966	956	977 935
Dec	971	963	980 967
Mar	972	971	986 972
May	979	978	986 987

Turnover: 21323 (9290) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 21 909.24 (930.07) 10 day average for Sep 22 904.78 (899.81)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Sep	1293	1323	1320 1294
Nov	1270	1272	1271 1225
Jan	1263	1263	[illegible] 1225
Mar	1249	1251	1245 1220
May	1242	1247	[illegible] 1220

Turnover: 5974 (4820) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Sep 21 Comp. daily 71.17 (72.93) 15 day average 72.02 (72.06)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	85.4	87.0	86.5 84.5

Turnover 100 (23) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Sep	1435	1425	1437 1425
Oct	1477	1470	1477 1453
Nov	1480	1467	1480 1455
Jan	1470	1483	1470 1455
Apr	1478	1470	1477 1460
BFI	1421	1416	

Turnover 278 (123)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	102.30		101.50
Nov	102.45	102.40	102.35 102.00
Jan	104.30	104.40	104.30 104.10
Mar	106.30	106.30	106.30 106.00
May	108.56	108.55	108.50 108.25

Barley	Close	Previous	High/Low
Sep	101.00	101.00	101.00

Turnover: Wheat207 (116) Barley 1 (20).
Turnover lots of 100 Tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 49,048 lots
Cash	1101-02	1099.5-100.5		1101-02		
3 months	1120-21	1116-9	1130/1116	1118.5-19	1122-23	239,440 lots
Copper, Grade A ($ per tonne)						Total daily turnover 88,474 lots
Cash	1755-57	1739-9.5	1770	1770-72		
3 months	1767-68	1749-50	1793/1763	1778-80	1783-84	170,145 lots
Lead ($ per tonne)						Total daily turnover 3,033 lots
Cash	368-69	371-2	368.5	368.5-69		
3 months	382-83	385.5-6.0	385/382	382-82.5	380-81	22,386 lots
Nickel ($ per tonne)						Total daily turnover 9,738 lots
Cash	4240-45	4190-5		4175-85		
3 months	4290-95	4240-5	4350/4236	4250-55	4295-300	45,624 lots
Tin ($ per tonne)						Total daily turnover 3,793 lots
Cash	4405-15	4345-50		4357-60		
3 months	4450-60	4390-400	4460/4390	4405-10	4450-60	10,662 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,586 lots
Cash	879-80	872.5-3.5		884-85		
3 months	896-97	899.5-900.5	902/896	901-01.5	900-01	81,610 lots

LME Closing £/$ rate: SPOT: 1.5200 3 months: [illegible] 6 months: 1.5024 9 months: 1.4950

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	354.00-354.50	
Opening	359.00-359.40	
Morning fix	355.00	233.783
Afternoon fix	354.40	234.051
Day's high	359.75-359.25	
Day's low	350.50-351.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.61
2 months	2.64	12 months	2.80
3 months	2.63		

Silver fix	p/troy oz	US cts equiv
Spot	268.90	407.35
3 months	272.75	410.40
6 months	276.30	413.60
12 months	284.00	421.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	355.00-356.00	234.00-236.00
Maple leaf	363.90-368.25	-
New Sovereign	84.00-86.00	55.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1100	27	39	14	21
1125	15	28	26	32
1150	7	19	43	45
Copper (Grade A)	**Calls**		**Puts**	
1800	29	59	63	82
1850	15	40	98	112
1900	7	27	140	148
Coffee LCE	**Nov**	**Jan**	**Nov**	**Jan**
1200	103	123	33	41
1250	73	97	53	60
1300	51	76	81	84
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
825	106	147	9	23
850	87	129	15	30
875	69	112	22	38
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1650	45		48	64
1700	20	48	83	87
1750	9	29	121	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	353.9	362.9	0	0
Oct	354.1	363.2	355.1	353.0
Nov	355.0	364.0	0	0
Dec	356.0	365.0	356.6	353.0
Feb	357.7	366.7	358.5	355.0
Apr	359.3	368.3	360.1	358.5
Jun	361.0	370.0	361.5	359.5
Aug	362.7	371.7	0	0
Oct	364.4	373.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	360.9	366.0	362.0	[illegible]
Nov	363.0	0	0	0
Jan	363.0	368.4	364.0	361.1
Apr	364.5	369.9	365.5	363.5
Jul	365.6	371.0	365.0	365.0
Oct	367.1	372.5	0	0

SILVER 5,000 troy oz. cents/troy oz.

	Close	Previous	High/Low	
Sep	404.0	418.6	407.0	404.0
Oct	404.7	419.4	0	0
Nov	405.6	421.3	0	0
Dec	406.8	421.5	410.5	402.0
Jan	407.1	421.8	0	0
Mar	410.9	425.7	414.0	406.0
May	413.6	428.7	418.5	415.0
Jul	416.5	431.5	419.0	416.5
Sep	419.2	434.3	0	0
Dec	423.6	438.8	427.5	424.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	77.45	77.85	78.20	77.35
Oct	77.65	78.05	78.35	77.40
Nov	77.85	78.30	0	0
Dec	78.05	78.60	78.25	77.65
Jan	78.30	78.85	78.35	78.00
Feb	78.50	79.10	78.70	78.70
Mar	78.70	79.30	79.80	78.50
Apr	78.95	79.50	79.80	79.30
May	79.20	79.80	80.30	79.30
Jun	79.50	80.10	78.80	79.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	17.55	17.98	18.10	17.48
Dec	17.84	18.23	18.35	17.79
Jan	18.04	[illegible]	18.54	18.01
Feb	18.23	18.60	18.66	18.22
Mar	18.40	18.75	18.58	18.38
Apr	18.55	18.89	18.74	18.55
May	18.64	19.01	18.65	18.64
Jun	18.72	19.11	18.90	[illegible]
Jul	18.87	19.21	19.02	18.83
Aug	19.43	19.30	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	53.06	53.86	54.20	52.90
Nov	53.86	54.67	55.00	53.70
Dec	54.56	55.56	55.75	54.80
Jan	55.05	56.11	56.50	55.00
Feb	55.25	56.31	[illegible]	55.25
Mar	54.46	55.61	54.85	54.45
Apr	53.95	[illegible]	54.00	53.90
May	53.05	53.71	53.05	53.05
Jun	52.30	53.26	52.65	52.65
Jul	52.50	53.51	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1164	1166	1201	1162
Mar	1203	1208	1242	1202
May	1218	1232	1253	1215
Jul	1237	1243	1275	1240
Sep	1257	1263	1280	1269
Dec	1279	1285	1300	1295
Mar	1301	1307	1333	1299
May	1315	1322	1350	1320
Jul	1337	1343	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.55	77.10	79.20	78.00
Mar	80.85	79.55	81.40	80.30
May	82.05	81.00	82.65	81.75
Jul	83.15	82.30	84.00	83.00
Sep	84.40	83.50	85.00	85.00
Dec	86.85	87.25	87.10	87.10

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.73	9.66	9.78	9.47
Mar	10.33	10.15	10.37	10.06
May	10.46	10.20	10.47	10.19
Jul	10.54	10.26	10.56	10.35
Oct	10.56	10.29	10.57	10.29

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	57.00	57.15	57.30	56.80
Dec	58.68	58.63	59.05	58.40
Mar	60.15	60.13	60.35	59.85
May	60.78	60.73	60.90	60.50
Jul	61.40	61.40	61.40	61.20
Oct	61.69	61.65	0	0
Dec	61.79	61.70	62.00	61.70
Mar	62.55	62.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	124.00	123.80	124.65	123.05
Jan	125.90	125.75	126.60	125.10
Mar	127.40	127.00	127.75	127.00
May	128.40	128.00	128.50	128.30
Jul	129.40	128.85	0	0
Sep	130.40	129.85	0	0
Nov	130.40	129.85	0	0
Jan	130.40	129.85	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 22	Sep 21	mnth ago	yr ago
1589.8	1595.4	1629.1	1584.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 21	Sep 20	mnth ago	yr ago
Spot	119.96	120.69	122.78	118.13
Futures	126.66	126.89	125.75	116.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	836/2	832/2	839/4	833/0
Jan	844/6	838/4	848/0	839/2
Mar	851/0	844/6	851/6	845/6
May	854/2	847/6	854/4	849/0
Jul	857/4	850/6	858/6	853/0
Aug	856/0	848/0	856/0	852/0
Sep	838/2	[illegible]	838/0	836/0
Nov	824/6	822/0	826/0	823/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	23.53	23.31	23.62	23.30
Dec	23.66	23.43	23.74	23.40
Jan	[illegible]	[illegible]	23.75	23.45
Mar	23.70	23.52	23.75	23.47
May	23.69	23.45	23.71	23.48
Jul	23.60	23.39	23.63	23.40
Aug	23.42	23.20	23.43	23.40
Sep	23.15	22.95	[illegible]	23.16

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	197.2	198.4	198.0	196.3
Dec	197.5	196.4	198.1	196.6
Jan	198.1	197.1	198.8	197.6
Mar	200.5	199.1	201.0	199.5
May	201.6	200.2	201.9	200.8
Jul	203.4	202.2	203.7	202.5
Aug	203.1	201.9	203.5	202.6
Sep	202.2	201.0	202.7	201.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	246/0	242/6	246/6	243/0
Mar	254/0	250/4	254/2	250/6
May	258/2	255/6	258/6	255/6
Jul	260/6	258/6	261/2	259/0
Sep	255/2	254/2	255/4	253/6
Dec	249/2	248/4	250/0	248/2
Mar	255/0	0	255/2	254/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	310/2	311/6	312/2	309/4
Mar	315/2	316/6	317/0	314/6
May	312/4	313/4	314/0	312/2
Jul	306/2	306/4	306/4	304/6
Sep	310/2	310/4	0	0
Dec	318/2	318/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.325	73.850	73.750	73.250
Dec	73.650	74.225	74.250	73.625
Feb	75.175	75.400	75.300	75.000
Apr	76.150	76.400	76.300	76.050
Jun	72.575	72.825	72.700	72.450
Aug	71.300	71.550	71.560	71.250
Oct	72.150	72.325	72.250	72.150

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	48.375	48.400	48.850	48.100
Dec	47.975	48.175	48.450	47.800
Feb	46.925	47.025	47.225	46.775
Apr	45.250	45.350	45.450	45.050
Jun	50.000	50.025	50.300	49.950
Jul	49.050	49.075	49.100	49.050
Aug	47.700	47.800	47.700	0
Oct	44.100	44.150	0	44.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	50.775	50.475	51.150	50.275
Mar	50.500	50.100	50.625	49.850
May	51.450	51.150	51.450	50.950
Jul	50.900	50.550	51.250	50.800
Aug	50.225	49.975	50.225	50.000

LONDON STOCK EXCHANGE

UK follows rallies in Europe and US

By Terry Byland,
UK Stock Market Editor

THE LONDON stock market stood up bravely yesterday to the disturbing political developments reported from Russia overnight. While not underestimating the potential seriousness of the situation, UK investors took heart from the rallies in other European markets and the FT-SE 100 Index, down 26.6 in early trading, finished nearly six points higher on the day, comfortably regaining the 3,000 mark.

Even the initial setback of around 0.9 per cent in London was less than suffered elsewhere in Europe, and considerably less than the fall in UK stocks at the time of the abortive anti-Gorbachev coup. Little selling was reported and a good lead from stock index futures soon brought bargain hunters into the stock market.

Firmness in the dollar helped US-influenced blue chips, with the pharmaceutical sector standing out well while awaiting formal publication of President Clinton's health care proposals.

The final reading showed the FT-SE 100 up 5.9 at 3,007.5. Equities had opened lower as London digested the news from Russia and the subsequent 38-point fall in the Dow Industrial Average and 292-point setback in the Nikkei average.

Within one hour of the official opening, the Footsie was down to 2,975, some 4.5 per cent below the trading peak reached at the end of last month. Had the market continued to fall, equity strategists would have been looking hard at the next support levels, believed to be in the Footsie 2,960 area.

However, the mood changed as Europe became more optimistic ahead of the opening of the new session on Wall Street. Led by a good premium on the December stock index contract, UK equities regained confidence, although gains were restrained at first as some UK houses sold equities against their holdings in the stock index futures.

The market moved upwards steadily, helped by early firmness in New York. When London closed for the day, the Dow Average was showing a 4.75 gain.

"Expect a recovery in share prices unless there is a civil war (in Russia)," commented the European equity team at Goldman Sachs. A civil war, which the analysts regard as unlikely, would mean a 5 to 10 per cent decline, with Germany suffering most. However, the Goldman team accepts that other outcomes to the Russian situation are possible.

The success of the UK market in again holding to the Footsie 3,000 benchmark raised hopes that, barring serious developments in eastern Europe, London share prices may have seen the worst of the September shakeout.

Yesterday's performance from equities was all the more positive because corporate trading news, still a major concern for investors, remained somewhat inconclusive. Spring Ram, a house-fitting group which had been a market favourite, closed firmly in spite of disclosure of dismal trading figures and the dismissal of some directors and City advisers.

With second-line issues somewhat brushed aside yesterday, the FT-SE Mid 250 Index dipped 1.5 to 3,427.5. Seaq volume picked up late in the session to reach a total of 670.7m shares, compared with 538.4m on Tuesday, when retail, or customer, business revived strongly to record a value of £1.13bn.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	13,000	62	+½
Abbey National†	1,800	408	-1
Albert Fisher	655	73½	-½
Allied-Lyons†	2,800	583	+3
Anglian Water†	845	542	-3
Argos	447	338½	-2½
Argyll Group†	5,600	303	-2
Arjo Wiggins†	3,700	207	
Assoc. Brit. Foods†	983	487	
Ass. Brit. Ports	172	448	+3
BAA†	973	852	+7
BAT Inds.†	10,000	462	-2
BET	4,500	129	+3½
BICC	448	406	-6
BOC†	2,800	636	-6
BP†	12,000	302¼	+1¼
BPB Inds.	1,300	281	
BT†	11,000	425½	
BT (P/Paid)	4,200	180	-1½
BTR†	7,300	386	
Bank of Scotland†	3,300	167	-2
Barclays†	4,200	507	-3
Bass†	2,500	476	-3
Blue Circle†	2,000	286	-3
Booker	581	389	-11
Boots†	2,400	487	+1
Bowater†	2,700	460	+5
Brit. Aerospace†	1,500	417	+2
British Airways†	5,700	357½	+1½
British Gas†	5,700	324	-1½
British Land	749	378	
British Steel†	30,000	114½	+2
Bunzl	457	145	
Burmah Castrol†	257	783	-6
Burton	6,400	79½	
Cable & Wire.†	3,500	853	-2
Cadbury Schweppes†	1,900	460½	+3½
Calor Group	44	285	
Carlton Comms.†	710	784	-5
Coats Viyella†	4,500	251½	-2½
Comm. Union†	719	605	-1
Cookson	1,700	202	-2
Courtaulds†	985	518	+2
Dalgety	335	493	+4
De La Rue	890	975	+4
Dixons	3,300	281	+4
Eastern Elec.	514	582	-5
East Midland Elec.	1,000	545	-3
Eng China Clays	482	415	
Enterprise Oil†	2,600	427	-1
Eurotunnel Units	185	490	-12
FKI	7,400	145	-1
Fisons	1,400	168	-1
Foreign & Col. I.T.	1,600	241	-½
Forte†	2,600	228	
Gen. Accident†	419	665	
General Elect.†	3,520	345½	+½
Glaxo†	8,400	641	+11
Glynwed Int.	333	302	+2
Granada†	779	441	-6
Grand Met.†	6,600	414	-7
GUS A†	377	2180	+7
GRE†	1,100	215	+1
GKN	884	492	-3
Guinness†	3,500	459	-1
HSBC (75p shs)†	7,200	684	+4
Hammerson 'A'	693	357	-2
Hanson†	8,400	256	-1½
Harrisons Crosfield	516	166	+1
Hillsdown	933	159	-2
IMI	807	294	
ICI†	1,200	702	+1
Inchcape†	1,500	530	-3
Johnson Matthey	277	460	+4
Kingfisher†	2,800	658	+3
Kwik Save	145	708	+1
Ladbroke†	4,100	197	+1
Land Securities†	1,000	670	
Laporte	128	880	
Legal & General†	1,400	471	+1
Lloyds Abbey	2,300	489	-1
Lloyds Bank†	2,200	552	
LASMO	6,100	140	+3
London Elec.	1,200	568	-8
Lonrho	3,000	124	+4
Lucas	1,500	149	-2
MB Caradon†	1,700	313	-2
MEPC†	399	490	-3
MFI	468	148	
Manweb	195	607	+1
Marks & Spencer†	3,800	394	+2
Midlands Elect.	416	582	-5
Morrison (Wm.)	787	129	+5
NFC†	805	288	+2
NatWest Bank†	6,100	488	-3
National Power†	1,900	386½	+1½
Next	10,000	208½	+4½
North West Water†	1,600	526	-1
Northern Elect.	558	608	-5
Northern Foods†	3,600	257	-9
Norweb	837	583	-13
Pearson†	1,100	528	+12
P & O†	888	678	-2
Pilkington	5,600	153½	+½
PowerGen†	1,500	420	+4
Prudential†	4,800	332	+2
RMC†	531	782	-2
RTZ†	1,700	693	-1
Racal	849	220	
Rank Org.†	474	785	-6
Reckitt & Colman†	839	615	-1
Redland†	774	530	
Reed Intl.†	1,300	688	-6
Rentokil†	668	305	+1
Reuters†	1,300	1529	+10
Rolls Royce†	6,000	143	-1
Rothmans†	315	649	-9
Ryl Bk Scotland†	2,000	310	-1
Royal Insurance†	2,500	310	+3
Sainsbury†	6,400	440	-10
Schroders†	57	1253	-12
Scottish & New.†	1,100	476	+2
Scot. Hydro-Elec.	216	379	+3
Scottish Power†	1,500	378½	+3½
Sears†	7,500	118	+3
Sedgwick	3,700	188	-7
Seeboard	395	619	-5
Severn Trent Water†	1,500	561	-3
Shell Transport†	3,000	638	-1
Siebe†	2,400	508	-1
Slough Ests	1,200	237	-1
Smith (W.H.) A	286	437	
Smith & Nephew†	2,100	145½	-½
SmKl Beecham†	3,800	425	+18
SmKl Beecham Uts.†	4,700	383	+19
Smiths Inds.	145	371	-1
Southern Elect.	2,400	588	-2
South Wales Elect.	252	611	-5
South West Water	81	676	-6
South West. Elect.	513	589	-7
Southern Water	338	582	+2
Standard Chartd.†	1,100	841	+6
Storehouse	3,300	222	+2
Sun Alliance†	2,100	379	+6
T&N	709	180	
TI Group†	858	334	-2
TSB†	3,400	209	+1
Tarmac	1,800	144	-1½
Tate & Lyle	1,300	377	+5
Taylor Woodrow	810	121	+5
Tesco†	8,300	209½	-2½
Thames Water†	1,000	550	-5
Thorn EMI†	3,200	977	-11
Tomkins†	1,800	230	-2
Trafalgar House	2,000	101	+3½
Unigate	397	397	
Unilever†	2,800	1087	+21
United Biscuits†	505	351	-1
Utd. Newspapers	380	549	-2
Vodafone†	3,900	494	+2
Warburg (SG)†	522	779	+5
Wellcome†	3,400	718	+6
Welsh Water	247	620	+5
Wessex Water	48	643	-7
Whitbread 'A'†	1,700	537	-1
Williams Hldgs.†	698	332	-1
Willis Corroon	598	228	-1½
Wimpey	2,200	177	+6
Wolseley†	233	830	+1
Yorkshire Elect.	1,500	988	-1
Yorkshire Water	242	565	-2
Zeneca†	2,500	727	+14

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Sep 6	Sep 20	Oct 4
Option Declarations:		
Sep 16	Sep 30	Oct 14
Last Dealings:		
Sep 17	Oct 1	Oct 15
Account Day:		
Sep 27	Oct 11	Oct 25

*New time dealings may take place from two business days earlier.

Clinton news awaited

DRUG STOCKS provided the principal support for the London market yesterday. They bounced higher on the eve of publication of President Clinton's health reform plan, reflecting the view that it is "worse to travel than to arrive". They were also helped by a stronger US dollar.

The health reforms were originally set to be published in May and continual delays have given opportunities for endless rumours and scare stories. An analyst said that since the package was leaked to the Wall Street Journal 10 days ago, 150 more changes had been introduced. It could be 1995 before any final version is enacted.

One analyst said drug stocks could now benefit as the focus of criticism shifted to other areas, such as North American Free Trade. However, international traders, surprised at a rush of late buying, said most investors now held the stocks, reforms were unlikely to add to the wealth of pre-release information, and there could be a period of consolidation.

Glaxo rose 11 to 641p and Wellcome added 6 at 718p. SmithKline Beecham was further helped by talk that a decision had been made not to withdraw SmithKline Units from the FT-SE 100 Index as proposed. Although the London Stock Exchange said nothing would be decided until the FT-SE Actuaries Indices Steering Committee met on October 6, SmithKline "A" shares advanced 18 to 425p and the Units 19 to 383p.

UK tobacco companies traded lower on speculation that a "sin tax" included in the Clinton health plan could hit cigarettes harder than expected. Rothmans International lost 9 to 649p and BAT Industries 2 to 462p on reports that US congress members now expect a tax of $1 a pack, against earlier tax forecasts of 50 to 75 cents a packet.

Oil sector wavers

Uncertainty created by President Boris Yeltsin's dissolution of the Russian parliament was ultimately responsible for sending leading oil shares higher in early trading. However, the market took a phlegmatic view of potential eastern European chaos and most of the gains were reversed.

The initial view that political turmoil would restrict oil supplies forced the price of Brent crude higher. Oil shares were bought in the US and the subsequent shortage of stock in London led to a squeeze.

However, Brent fell back and the shortage was filled. Also, Lehman Brothers, the US investment house, officially released downgrades relating to a sector review last Friday. The house shifted BP to a sell from neutral and Shell Transport to neutral from buy. BP, which had been up 5, closed 1¼ ahead at 302¼p and Shell lost an earlier gain of 5 to end a net penny down at 638p.

BOC downgrade

A cut in profits forecasts by a UK securities house for BOC Group led to weakness in the share price, which receded 6 to 636p yesterday.

Smith New Court reduced profits expectation to £335m from £340m for the current year and by £15m to a flat £335m for next year after receiving the latest US sales figures for Forane, BOC's anaesthetic gas which came off patent at the start of the year. The figures showed July sales were down 38 per cent on the previous year. Mr Philip Morrish of Smiths said: "BOC's hopes of holding on to 50 per cent market share in the US are pie in the sky".

British Steel active

A broker's recommendation and profits upgrade for British Steel made it the day's most actively traded stock as turnover soared to 16m and the shares improved 2 to 114½p. The stock was also heavily traded in the traded options sector with the equivalent of a further 6.3m shares dealt.

Maintaining its current-ear estimate at £70m, BZW upgraded profit estimates for the year to March 1995 by £50m to £250m. The securities house said the revised forecast is based on current steel prices excluding the September 1993 price initiative. It said that a further 5 per cent increase in steel prices would lead to a raising of its estimate to £450m.

Urging investors to buy the shares, the engineering team at BZW said: "Now that the European steel restructuring plan appears to be achieving its objective, the focus of attention will shift to the fundamentals surrounding British Steel's valuation."

The demand for British Steel also boosted sentiment in ASW Holdings where the shares put on 12 at 208p.

Bathroom manufacturer Spring Ram was one of the best performers in the London market yesterday. In spite announcing boardroom resignations, including the departure of Mr Bill Rooney, the founder and chief executive and a loss of £36.4m in the first half Spring Ram shares jumped 7¼ to 68p. The market felt that the risks to the company had been minimised following the shake-out by the new chairman.

Pharmaceuticals group UniChem climbed 6 to 247p after announcing a rise in half-year profits to £17.99m against £12.56m previously.

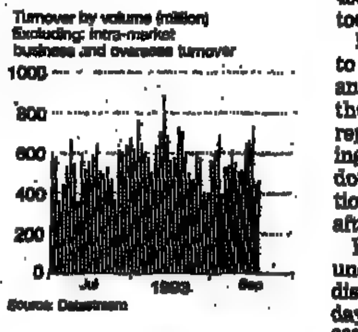
Vodafone gained 2 to 494p after the group introduced a new tariff to its MetroDigital service enabling calls to be made more cheaply from a specified location. Cable and Wireless, which owns Vodafone's competitor Mercury Communications, shed 2 to 853p. Mercury is already offering free off-peak local calls through its one-2-one digital mobile phone venture.

The market was cheered by bumper profits from Next. The shares firmed 4½ to 208½p as several brokers upgraded full year profit expectations. They included BZW which raised its forecast by £15m to £70m.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

However one analyst said: "I think the share price rise was muted because of worries about future growth given that productivity levels are already so high."

Sears firmed 3 to 118p ahead of interim figures next Tuesday.

Some brewers were affected by concern over a potential US tax on alcohol alongside possible tobacco taxes. Grand Metropolitan fell 7 to 414p and Guinness eased a penny to 459p ahead of first-half figures today.

Northern Foods succumbed to cautious comments from analysts on a two-day visit to the company. Several were reported to have been examining their figures with a view to downgrading profit expectations. The shares fell 9 to 257p, after trade of 3.6m.

Food retailers remained under a cloud following Tesco's disappointing figures on Tuesday. Tesco shares eased 3 to 209p, as further comment on its decline in margins was made, while J. Sainsbury lost 10 to 440p, in sympathy. Dealers were more positive about Wm Morrison ahead of today's interim figures and the shares hardened 5 to 129p.

Media-based conglomerate Pearson which owns the *Financial Times*, lifted 12 to 528p as S.G. Warburg reiterated its buy recommendation.

Thorn EMI slipped after a US newspaper article talked of difficulties at Thorn's Rent-A-Center business in the U.S. The shares fell 23 to 965p, in early trading as copies of the article were circulated in London.

Nerves steadied later and the shares rallied to close 11 off at 977p, following above average volume of 3.2m. Earlier this month, investors were unsettled by news of the disappointing performance in the group's defence business.

Shares in GKN shed 3 to 492p, after NatWest Securities trimmed its current-year profits forecast. The securities house reduced its estimate by £5m to £110m to take account of difficult trading conditions at United Engineering Steels in which it has a 39 per cent stake. Dealers were also concerned that there had been no confirmation of an order from Saudi Arabia for around 200 Piranha armoured vehicles, that has been widely reported.

Belief that September car sales in the UK might be lower than predicted weakened several motors stocks. Casualties included Lex Service, down 7 to 399p, T Cowie 3 to 243p, and Pendragon 5 to 265p.

Engineering group Spirax-Sarco fell 10 to 362p, after a cautious results meeting. Interim profits improved from £10.5m to £11.4m in line with market expectations and one researcher said: "it remains one of the best quality stocks in the capital goods sector."

A broker's visit to the materials technology arm of Johnson Matthey to see the benefits of recent restructuring helped the shares rise 4 to 460p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (58).
CANADIANS (1) Can. Pac. 4pc Deb., BREWERS (2) Grosvenor Inns, Matthew Clark, BLDG MATLS (1) Sheffield Ins., CONGLOMERATES (1) Daimler-Benz, CONTG & CONSTRCN (4) AMEC, Barratt Dev., Gleeson (M.J.),Green (E) & Part., ELECTRICITY (6) National Power, Northern Ireland, Powergen, Scott. Power, South Western, ELECTRONICS (2) Kewill Systems, Polar, ENG GEN (1) Elliott (B), FOOD RETAILING (1) PizzaExpress, HOTELS & LEIS (1) City Centre Restaurants, INSCE BROKERS (1) Windsor, INV TRUSTS (8) Atlantis New Dawn B Wrnts., Baring Chrysalis, Biotech Pt., Multitrust, Sumit, Thai Euro., MEDIA (4) Anglia, LWT, MAI, More O'Ferrall, MERCHANT BANKS (1) Joseph (Leopold), MISC (4) Bluebird Toys, Brit. Thornton, Eurocopy, Ricardo, OTHER FINCL (1) Intrum Justitia, PACKG, PAPER & PRINTG (1) Westfield, PROP (1) Cathay, STORES (6) Asprey, Flying Flowers, Goldsmiths, Great Universal, Next, Sears, TEXTS (3) Jacques Vert, Jerome, Magellan, TRANSPORT (2) BAA, Seacon, MINES (1) Anglo Pacific Res.
NEW LOWS (20).
CANADIANS (1) Breakwater Res., BLDG MATLS (1) Tudor, BUSINESS SERVS (1) REA, ELECTRICALS (1) Burnfield, ELECTRONICS (1) Borland, ENG GEN (1) Ransomes, FOOD RETAILING (2) Morrison (Wm) Supermarkets, Do. 5¼pc Pf., HEALTH & HSEHOLD (1) Seton Healthcare, HOTELS & LEIS (1) First Leisure, INSCE BROKERS (1) Alexander & Alexander, INV TRUSTS (1) Dunedin Japan, MISC (2) Fil, Pentland, OTHER INDLS (1) Kelsey, PACKG, PAPER & PRINTG (2) Clondalkin, SCA B, PROP (1) Embassy, STORES (1) Ets, TEXTS (1) Dawson.

FINANCIAL TIMES EQUITY INDICES

	Sep 22	Sep 21	Sep 20	Sep 17	Sep 16	Year ago	* High	* Low
Ordinary share	2329.1	2324.8	2328.3	2331.0	2331.2	1901.8	2414.2	2124.7
Ord. div. yield	3.99	4.00	3.99	3.99	3.98	4.63	4.52	3.82
Earning yld % full	4.70	4.71	4.70	4.69	4.70	6.75	6.38	4.51
P/E ratio net	27.14	27.08	27.16	27.19	27.17	18.77	28.30	18.60
P/E ratio nil	25.05	25.00	25.08	25.10	25.08	17.41	25.14	18.14
Gold Mines	176.6	174.9	174.3	180.1	188.9	80.5	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2314.5	2310.1	2308.6	2314.6	2317.9	2321.4	2323.6	2327.8	2327.8	2329.4	2304.3

Volume	Sep 22	Sep 21	Sep 20	Sep 17	Sep 16	Year ago
SEAQ Bargains	27,748	28,172	27,711	34,095	28,442	28,898
Equity Turnover(£m)†	-	1130.5	985.3	1601.1	1751.3	1388.2
Equity Bargains†	-	29,515	30,778	37,803	32,133	32,879
Shares traded (ml)†	-	471.3	444.2	730.3	699.9	549.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

TRADING volume in stock index futures nearly doubled in London yesterday as investors reacted to the setbacks in New York and Tokyo caused by the political crisis in Russia, writes Terry Byland.

The December contract on the FT-SE 100 Index traded for most of the day at a discount to fair value, but early losses were quickly recovered and the market closed on a steadier note.

The initial loss was not large but, although few sellers appeared either in equities or futures, December fell to 2,988, driving the underlying stock market down.

The recovery then began and by midsession the December contract stood at the day's peak of 3,030, a premium of 23 to cash but only around 4 points above fair value. The future topped off as Wall Street failed to hold all of its early gain, and December closed at 3,026, a 20-point premium to cash but lagging behind the fair value premium of around 24 points. Turnover jumped to 15,230 contracts from Tuesday's 8,929.

Business in traded options also rose sharply, to 42,110 bargains from 23,186. In the FT-SE 100 option, volume rose to 14,753 lots. Individual stock options were headed by British Steel (6,307) as a UK securities house rerated the stock. Also active was the Euro FT-SE option (4,436). Awaiting President Clinton's healthcare proposals, Glaxo traded 1,833 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3007.5 +5.9	3427.5 -1.5	1494.78 +1.79

	Sep 22	Day's change %	Sep 21	Sep 20	Sep 17	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3007.5	+0.2	3001.6	3004.5	3005.5	2580.5	3.90	5.72	21.70	79.17	1093.59
FT-SE Mid 250	3427.5	—	3429.0	3423.6	3428.7	2401.6	3.54	5.86	20.68	74.42	1233.17
FT-SE Mid 250 ex Inv Trusts	3445.1	—	3445.5	3439.7	3441.3	2408.4	3.64	6.28	19.51	78.06	1235.03
FT-SE-A 350	1507.5	+0.1	1505.4	1506.0	1506.6	1239.3	3.82	5.75	21.46	38.10	1122.49
FT-SE SmallCap	1759.01	-0.2	1762.79	1766.16	1768.72	-	3.16	3.94	34.90	33.49	1324.41
FT-SE SmallCap ex Inv Trusts	1762.01	-0.2	1764.77	1768.50	1768.58	-	3.33	4.34	32.74	34.94	1328.01
FT-A ALL-SHARE	1494.78	+0.1	1492.99	1493.72	1494.29	1216.92	3.77	5.64	22.00	37.19	1132.73
1 CAPITAL GOODS(216)	1051.79	—	1051.82	1053.30	1055.35	766.34	3.88	4.08	32.00	26.92	1243.15
2 Building Materials(28)	1158.52	—	1158.68	1160.05	1166.12	784.14	3.93	3.24	43.20	25.93	1345.30
3 Contracting, Construction(29)	1042.30	+1.7	1025.28	1025.48	1028.89	623.29	3.16	1.25	80.00†	18.54	1446.66
4 Electricals(15)	3034.49	-0.7	3055.81	3076.85	3063.86	2149.22	4.46	3.54	35.34	85.27	1232.22
5 Electronics(39)	2895.50	+0.1	2892.60	2887.45	2867.74	1988.65	2.89	5.76	21.23	64.82	1268.81
6 Engineering-Aerospace(7)	429.61	-0.1	430.16	429.31	427.51	277.39	3.39	‡	†	7.66	1487.96
7 Engineering-General(49)	602.01	-0.3	603.68	603.64	606.69	469.97	3.60	5.78	20.93	14.37	1210.63
8 Metals & Metal Forming(10)	456.43	+1.4	449.96	447.29	445.52	317.73	2.40	‡	‡	8.85	1443.33
9 Motors(20)	444.45	-0.8	447.95	446.13	449.99	314.27	4.93	4.26	32.77	16.72	1240.35
10 Other Industrials(19)	2115.24	-0.2	2119.81	2134.30	2145.19	1756.28	4.69	5.93	19.93	69.08	1101.56
21 CONSUMER GROUP(236)	1699.98	+0.4	1692.80	1700.01	1699.94	1615.32	3.46	6.64	18.26	36.85	992.41
22 Brewers and Distillers(29)	1903.92	-0.5	1914.18	1921.48	1925.37	2076.22	3.89	8.12	14.88	42.50	932.56
25 Food Manufacturing(24)	1346.87	+0.5	1339.57	1343.34	1340.88	1163.75	3.79	7.05	16.86	29.87	1041.04
26 Food Retailing(17)	2748.33	-0.9	2774.31	2799.02	2783.09	3687.53	3.43	9.44	13.15	53.01	862.10
27 Health & Household(17)	3581.77	+2.0	3511.22	3539.43	3543.68	4194.56	3.73	6.47	18.04	86.19	864.29
29 Hotels and Leisure(20)	1401.06	-0.6	1408.86	1409.85	1412.44	1053.53	4.20	5.88	21.27	45.61	1131.36
30 Media(34)	2117.83	+0.4	2110.10	2125.51	2123.91	1585.50	2.44	4.79	25.23	35.27	1182.08
31 Packaging and Paper(25)	882.06	+0.3	879.15	882.93	883.85	727.80	3.34	5.29	22.92	20.33	1157.94
34 Stores(39)	1284.82	+0.5	1278.46	1275.49	1274.95	1035.29	2.81	5.42	23.28	21.03	1126.92
35 Textiles(20)	830.39	-1.0	838.92	840.50	845.23	670.21	3.78	5.66	22.35	21.15	1141.30
40 OTHER GROUPS(144)	1602.59	-0.1	1603.78	1600.86	1598.17	1282.35	4.04	6.96	17.26	43.00	1149.00
41 Business Services(27)	1655.43	+0.2	1652.16	1651.68	1650.67	1343.68	2.83	7.20	15.78	24.02	1104.38
42 Chemicals(24)	1547.12	-0.1	1549.17	1555.55	1564.33	1432.55	4.24	0.38	‡	47.07	1122.17
43 Conglomerates(11)	1527.67	-0.3	1531.95	1528.78	1527.46	1273.87	5.01	7.03	16.05	46.35	1141.22
44 Transport(16)	3180.40	+0.6	3160.49	3151.88	3171.18	2449.85	3.64	4.09	28.96	87.38	1187.81
45 Electricity(17)	2031.45	—	2031.44	2004.79	1989.69	1347.53	3.90	11.17	11.12	[illegible]	1348.81
46 Telephone Networks(4)	1860.60	—	1860.68	1857.34	1838.41	1464.54	3.64	5.82	20.99	34.68	1127.80
47 Water(13)	3707.74	-0.6	3725.01	3722.15	3712.56	2786.24	4.78	11.88	9.46	108.71	1179.88
48 Miscellaneous(32)	2408.91	-0.6	2419.59	2438.41	2436.20	2159.78	4.39	8.01	14.82	82.31	1008.19
49 INDUSTRIAL GROUP(596)	1518.41	+0.2	1515.85	1518.32	1517.39	1296.39	3.74	6.23	19.58	38.71	1087.81
51 Oil & Gas(18)	2561.71	—	2562.73	2548.94	2582.29	2023.58	4.40	6.25	20.01	71.96	1179.56
59 "500" SHARE INDEX(817)	1611.81	+0.1	1609.55	1610.99	1612.32	1365.01	3.81	6.23	19.63	39.58	1097.12
61 FINANCIAL GROUP(90)	1126.18	+0.1	1125.22	1123.70	1121.14	749.29	3.93	3.29	45.31	31.45	1331.86
62 Banks(9)	1524.32	+0.1	1523.17	1513.20	1504.96	1025.52	3.83	4.06	33.94	44.68	1324.28
65 Insurance (Life)(6)	2028.00	+0.3	2022.58	2031.40	2052.22	1532.01	4.82	4.74	26.87	71.36	1197.00
66 Insurance (Composite)(7)	712.22	+0.5	708.50	706.63	701.82	521.83	4.72	‡	‡	20.75	1173.09
67 Insurance Brokers(10)	886.51	-0.3	889.41	894.63	[illegible]	[illegible]	4.41	4.69	31.34	25.53	1163.10
68 Merchant Banks(6)	792.78	-0.2	794.62	808.18	809.27	471.26	2.92	5.73	21.66	14.86	1616.08
69 Property(29)	1028.04	-0.3	1030.72	1035.04	1036.98	832.44	3.96	3.93	33.63	21.20	1645.77
70 Other Financial(23)	438.11	—	438.09	439.96	440.90	243.52	3.54	4.97	26.93	8.67	1498.32
71 Investment Trusts(111)	1631.35	-0.4	1638.08	1637.46	1640.40	1158.39	2.53	2.02	49.47	27.35	1245.18
99 FT-A ALL-SHARE(818)	1494.78	+0.1	1492.99	1493.72	1494.29	1216.92	3.77	5.64	22.00	37.19	1132.73

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2991.7	2985.4	2990.5	2996.8	2993.7	2998.3	3000.6	3003.2	3005.9	3007.5	2975.0
FT-SE Mid 250	3419.6	3417.0	3413.5	3418.0	3421.5	3422.8	3422.4	3424.5	3428.9	3427.5	3413.0
FT-SE-A 350	1500.6	1497.9	1498.7	1499.8	1501.8	1503.5	1504.4	1505.6	1508.8	1507.5	1493.5

Time of FT-SE 100 high: 4.20pm low: 9.31am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1947.9	1962.7	1952.3	1961.2	1978.9	1980.6	1984.9	1986.8	1990.0	1992.9	1947.6	+45.3
Health & H	1055.0	1055.1	1058.6	1063.4	1071.7	1073.3	1072.8	1074.3	1077.3	1080.1	1058.3	+21.8
Water	1536.1	1532.5	1528.6	1527.3	1528.1	1529.6	1529.7	1528.5	1530.8	1530.8	1538.0	-7.2
Banks	1848.0	1845.2	1839.6	1842.1	1846.4	1846.9	1850.9	1850.8	1852.8	1852.8	1851.4	+1.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown, ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 13¼pc 1993‡‡		101⅛	—	105⅞	101⅛	13.08	5.60
8½pc 1994		100¾	—	102⅜	100⅛	8.42	[illegible]
14½pc 1994‡‡		103⅞	—	109¼	103⅞	13.98	[illegible]
Exch 13½pc 1994		104⅛xd	—	108⅞	104⅛	12.91	[illegible]
Treas. 10pc Ln. 1994‡‡		102⅞	—	106⅝	102⅝	9.71	[illegible]
Exch 12½pc 1994		106⅛	—	110⅛	106⅛	11.79	[illegible]
Treas 9pc 1994‡‡		103⅜	—	106⅜	103⅜	8.69	[illegible]
12pc 1995		108	—	111⅜	108	11.11	[illegible]
Exch 3pc Gas 90-95		97⅛	—	97⅛	94	3.09	[illegible]
10¼pc 1995		107⅝	—	109⅝	107⅛	9.52	[illegible]
Treas 12¾pc 1995‡‡		113½	—	116⅝	113½	11.23	[illegible]
14pc 1996		117⅛	—	120⅝	117⅛	11.96	[illegible]
15¼pc 1996‡‡		121⅝	—	125⅝	121⅝	12.54	[illegible]
Exch 13¼pc 1996‡‡		117	—	120⅛	116½	11.32	[illegible]
Conversion 10pc 1996		110⅜	+⅛	111½	108⅝	9.06	[illegible]
Treas 13¼pc 1997‡‡		120⅛	—	122⅛	118⅞	11.02	[illegible]
Exch 10½pc 1997		112⅜	—	113⅝	110⅛	9.34	[illegible]
Treas 8¾pc 1997‡‡		106⅛	—	108	105½	8.09	[illegible]
Exch 15pc 1997		129⅝xd	+⅛	132⅛	127⅞	11.56	[illegible]
9¾pc 1998		111⅛	—	112⅝	109⅛	8.71	[illegible]
Treas 7¼pc 1998‡‡		103⅛xd	—	103⅞	99⅞	7.09	[illegible]
7¼pc 1998 B‡‡		103⅛	—	103⅞	101⅛	7.03	[illegible]
Treas 6¾pc 1995-98‡‡		100⅞	—	101⅛	97⅛	6.70	[illegible]
14pc '98-1		127⅞	—	130½	125⅛	10.98	[illegible]
Five to Fifteen Years							
Treas 15½pc '98‡‡		136⅜xd	+⅛	139⅞	133⅞	11.34	[illegible]
Exch 12pc 1998		121⅞	—	123⅞	118⅛	9.84	[illegible]
Treas 9½pc 1999‡‡		112⅛	-⅛	113½	108⅜	8.46	[illegible]
Exch 12¼pc 1999		124⅛xd	-⅛	125⅝	120⅛	9.88	[illegible]
Treas 10½pc 1999		117⅛	-⅛	118⅝	112⅛	8.97	[illegible]
Conversion 10¼pc 1999		117	-⅛	118⅛	112⅛	8.76	[illegible]
9pc 2000‡‡		111⅜	-⅛	113	108	8.07	[illegible]
Treas 13pc 2000		131⅛	-⅛	133⅛	[illegible]	[illegible]	7.12
10pc 2001		116⅜	-⅛	118⅝	109⅜	8.57	7.06
7pc '01 (£57¼ Pd)‡‡		60½	-⅛	61⅜	57⅞	6.07	6.92
9¾pc 2002		116⅛	-⅛	119⅛	109⅛	8.35	7.17
8pc 2003‡‡		108⅜	-⅛	108⅜	97⅛	7.52	7.07
8pc 2003 A‡‡		108⅜	-⅛	108⅜	102⅛	7.50	7.08

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
10pc 2002		119⅜	-⅛	122⅛	109¾	8.37	7.23
Treas 11¾pc 2001-4		129¾xd	-⅛	129⅝	118⅝	9.20	7.33
[illegible]							
Over Fifteen Years							
[illegible]							
Undated							
Consols 4pc		[illegible]					
War Loan 3½pc‡‡		47⅞	-⅛	48⅞			
Conv 3½pc '61 Aft.		66⅛xd	-⅛	67⅞			
Treas 3pc '66 Aft.		39⅞xd	+⅛	40⅞			
Consols 2½pc		34⅛xd	-⅛	35⅞			
Treas. 2½pc		33⅞xd	+⅛	34⅞			

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked							
[illegible]							

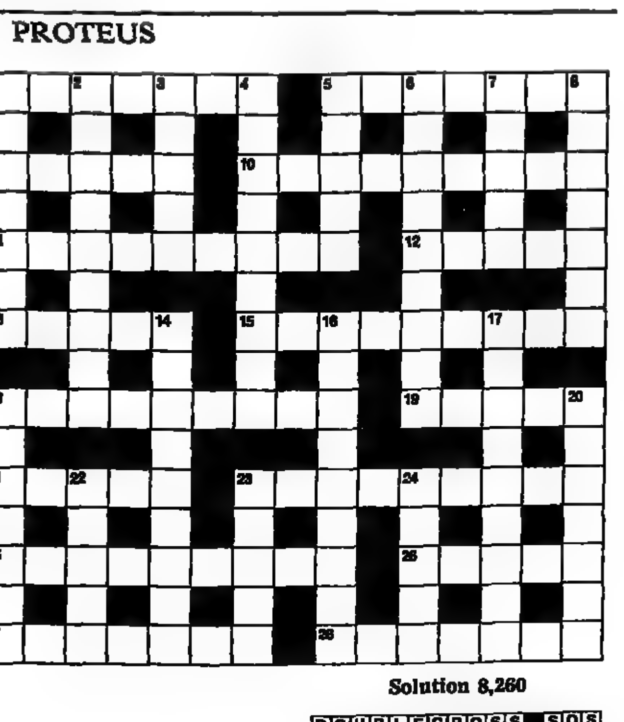
OTHER FIXED INTEREST

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]							

Continued on next page

CROSSWORD

No.8,261 Set by PROTEUS

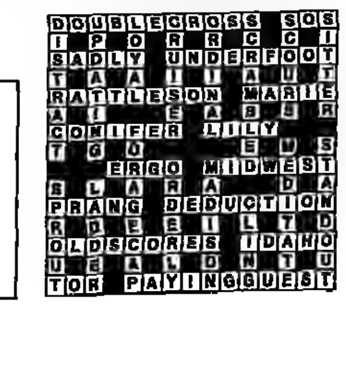


ACROSS
1 Go back and take up negotiations again (7)
5 Bird that is a first-class performer in embryo (7)
9 Island in French sea noted for stinginess (5)
10 Cool drink as supplementary course (9)
11 Meant perhaps to include some form of accommodation (9)
12 Language spoken by some Asians (and some British in dialect) (5)
13 Result of having flat tabletop (5)
15 Outstanding draughtsman of high society? (3.6)
18 Mutual action in Pinter production (non-professional) (9)
19 Way time helps to give one a lift? (5)
21 Animal found in the Himalaya; also in Pennsylvania (5)
23 Surprising jump by fish (9)
25 One who looks out at player on green (9)
26 Tree found by sailor on railway, note (5)
27 Three at odds on stage (7)
28 Is still wanting flowers to hold record (7)

DOWN
1 Storm coming a long time after swindle (7)
2 Will meats go off in temporary accommodation? (9)
3 Bird for example thrice over (5)
4 Plant bringing anguish to one novice (9)
5 Injunction to take exercise would be seemly (5)
6 Tenders for broken pottery quiet man put in (9)
7 Very pale when chicken is served (5)
8 Do sailors display ire over German warplane? (7)
14 Great man perhaps first tamer of bullying woman (9)
16 He provides funds as team prays perhaps (9)
17 Sins we are prone to through tiredness? (9)
18 Mentally affected we hear by amount of money advanced (7)
20 Go back to look for right way out (7)
22 Can it resemble saltpetre internally? (5)
23 Is up to girl to provide cooking utensil (5)
24 Right about a politician being a vagrant (5)

JOTTER PAD

Solution 8,260



LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅞xd	–1⅛	29¼	15⅝	14,489	2.8
Allegheny & W.	♥	498p	—	722p	399p	295.3	4.0
Amdahl		379p	–3	591p	294p	425.6	0.9
Amer Cyanamid		36⅝	+⅝	38⅝	31¼	3,257	3.2
Amer Express		22¼xd	[illegible]	25⅞	14⅞	16,707	3.0
Amer T & T		39⅝xd	[illegible]	43¼	33⅛	52,050	2.3
Ameritech		58	[illegible]	59¼	46	25,394	4.3
Anheuser-Busch		30½	[illegible]	41¼	30¼	8,440	3.0
BankAmerica		30⅜xd	[illegible]	35¼	27¼	16,798	3.1
Bankers NY		50⅜xd	–1⅛	54¼	42⅝	4,043	4.1
Bell Atlantic		41⅝	[illegible]	46½	32¼	18,083	4.3
BellSouth		40½	[illegible]	41	32⅞	20,007	4.6
Bethlehem Steel	♥	8⅞xd	[illegible]	13¼	8½	775.0	–
Bowater		1185pxd	–35	1682p	1189p	430.8	3.4
CPC		28½xd	[illegible]	34⅝	28	4,498	2.9
California Engy		1148p	—	1479p	1068p	209.2	–
Chase Manhattan		23⅜xd	[illegible]	24½	17⅝	3,878	3.4
Chrysler		29⅜xd	+½	32⅝	21¼	8,766	1.3
Citicorp		23⅞xd	[illegible]	23⅝	13⅞	8,813	–
Colgate-Palm		35⅛xd	[illegible]	45⅝	32	5,609	2.7
Comm'l Bank		1650p	—	1877p	1278p	1,875	2.4
Dana		35⅛xd	[illegible]	37⅝	29⅜	1,624	3.1
Data General		596p	–6	851p	527p	147.9	–
Decora Inds	♥	1190p	—	1469	1040	–	–
[illegible]		40⅝	[illegible]	42⅝	37⅛	7,288	4.0
Eaton		33	[illegible]	33½	25⅞	2,295	2.4
Echlin		18¾xd	[illegible]	20½	15½	1,082	2.5
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Figures or report awaited
Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
Not officially UK listed; dealings permitted under Rule 535(2)
Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
y Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

SS Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

OTHER UK

هكذا من الأجل

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	48.43	48.43	49.34	-	1.45
UK Equity Gth Acc	5¼	82.87	83.88	87.88	+0.1	1.01
UK Eq High Inc Inc	5¼	38.02	38.02	40.45	-	3.39
UK Eq High Inc Acc	5¼	45.15	45.15	47.88	-	3.39
UK Equity Gen Acc	5¼	56.89	57.24	61.35	-	2.11
UK Equity Gen Inc	5¼	42.93	43.72	46.46	-	2.11
UK Larger Cos Acc F	7½	389.7	395.1	420.7	-0.1	3.65
UK Larger Cos Inc F	7½	288.3	293.4	329.2	-0.1	3.65
Gilt & Fxd Int Inc	5¼	32.95	33.07	34.99	-0.1	5.80
O'seas Lrg Cos Acc F	7½	285.6	290.7	316.5	-0.7	1.24
Nth American Acc	5¼	42.95	43.21	45.92	-	0.69
Far East Acc	5¼	59.09	59.08	62.79	-0.1	0.30
European Acc	5¼	44.83	44.63	47.42	+0.1	0.71
State Street Unit Trust Mngmt Ltd (1400)F						
29 King Street, London EC2V 8EN 071-344 7000						
Global A	5¼	[illegible]	3.715	3.945	-0.007	1.35
US Equities (a)	5¼	$2.109	2.109	2.335	+0.002	1.14
Far East Equities (a)	5¼	Y265.6	249.8	262.3	-0.2	-
Japan Equities (a)	5¼	Y257.0	252.9	268.6	-7.9	-
FT Europe (a)	5¼	118.9	118.0	126.4	+0.5	2.06
FT North American (a)	5¼	$1.733	1.733	1.837	-0.02	1.30
FT Japan (a)	5¼	Y241.8	242.4	257.4	-8.1	-
FT Asia Ex Japan (a)	5¼	$2.005	2.024	2.150	+0.003	1.42
Stewart Ivory Unit Tst Mgrs Ltd (1200)F						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	343.7	343.7	367.0	+1.3	0.33
(Accum Units) ♥	5	405.2	405.2	432.7	+1.6	0.33
British	5	984.4	984.4xd	1047.5	-2.8	3.44
(Accum Units)	5	1758.1	1758.1	1880.1	-4.7	3.44
Emerging Markets	5	116.2	116.2	123.7	+0.5	0.20
(Accum Units)	5	116.4	116.4	123.9	+0.5	0.20
European	5	426.6	426.6	454.3	-2.0	1.29
(Accum Units)	5	469.4	469.4	499.8	-2.2	1.29
Japan	5	158.3	158.3	168.0	-0.1	-
(Accum Units)	5	158.6	158.6	169.3	-0.1	-
New Pacific	5	316.2	316.0	339.7	-2.3	0.66
(Accum Units)	5	337.4	333.3	355.0	-2.5	0.66
Investment Tst	5	198.1	200.0xd	212.0	-0.6	1.89
(Accum Units)	5	223.1	225.2	238.7	-0.7	1.89
Mngd Equity	5	157.8	159.5	168.7	-0.2	1.50
Mngd Equity Acc	5	172.9	174.8	184.9	-0.2	1.50
Mngd Cash	0	98.18	98.18	98.18	+0.01	5.07
(Accum Units)	0	129.2	129.2	129.2	-	5.07

	Bid Price	Offer Price	+ or -	Yield Gr's
Jupiter Merlin Unit Trust Managers Ltd				
Jupiter Merlin Exempt Trust				
UK Equity	£13.71	13.97	-	-
Lazard Brothers & Co. Ltd				
Property Sep 22	£2075.0	2245.0	-	7.80
Inc (Gth Prp Jul 12	£1440.0	1600.0	-	6.50
Lazard Investors Ltd $				
Exempt Funds				
Small Co's Sep 22	£5697.6	5740.6	-24.80	2.30
European Sep 22	£762.7	770.0	-1.40	1.43
American Sep 22	£424.8	429.5	-0.70	1.43
Japan Sep 22	£995.8	993.7	-13.60	0.38
Pacific Sep 22	£204.0	208.2	+3.60	0.84
Midland Gth Aug 31	£131.90	143.90	-	3.7
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	178.70	185.70	-	8.53
Equity Aug 31	1094.00	1123.00	-	2.89
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond (z)		117.35	-0.1	9.10
(Accum Units)		824.38	-0.1	9.10
NAACIF (z)		48.67	-	6.67
For Merlin Jupiter see Jupiter Merlin				
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Sep 21	178.3	181.8	-	2.41
UK Small Co † Sep 21	644.7	671.4	-	2.82
Fixed Interest † Sep 21	129.3	130.2	-	6.86
Intl Bond Sep 21	149.9	151.3	-	7.59
Morgan Stanley International				
UK Exempt NAV	£1522.79		-	-
Overseas Exempt NAV	£1424.47		-	-
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	63.91	66.40	+0.17	1.24
European Exempt	57.84	59.83	-0.92	2.33
Fixed Int Ex Sep 18	53.48	54.90	-	7.79
Japan Exempt	60.32	62.79	-0.04	0.50

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn. - Contd.				
Pension Funds				
Managed Ord	585.0	616.8	+0.2	-
Managed Int	410.2	431.8	+0.1	-
Equity Ord	903.5	951.1	+0.3	-
Equity Int	633.5	666.8	—	-
Pen Ind Lkd Gilt Ord	233.1	245.4	—	-
Pen Ind Lkd Gilt Int	170.7	179.7	—	-
Overseas Equity Ord	420.7	442.8	+0.5	-
Overseas Equity Int	299.0	316.5	+0.4	-
Property Ord	301.3	317.2	+0.1	-
Property Int	211.3	222.4	+0.1	-
Fixed Interest Ord	382.3	301.4	-0.4	-
Fixed Interest Int	254.0	267.4	-0.3	-
Deposit Ord	291.7	307.1	—	-
Deposit Int	204.8	215.4	—	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Sep 22	314.6	327.8	-1.2	-
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH 0734 494932				
Prudential Managed Funds				
Discretionary Sep 8	£247.93	255.78	-4.18	-
Equity Sep 8	£280.40	290.22	-3.84	-
International Sep 8	£41.39	42.48	-1.45	-
Intl Bond Sep 8	£21.13	21.38	-0.36	-
Fixed Int Sep 8	£132.15	139.69	+0.15	-
Index Linked Sep 8	£96.09	97.25	+0.30	-
Property Sep 8	£113.74	122.18	+0.29	-
Cash Sep 8	£33.93	33.92	+0.03	-
Pre-Linked Settlement Plan				
Managed Sep 8	588.30	604.60	-8.70	-
Cash Sep 8	308.90	318.70	+0.30	-
Prudential Pensions Investment Account				
Pens Mngd	231.40	243.60	+1.00	-
Pens Mngd A	103.60	109.10	+0.40	-
Pens UK Eq	392.70	423.50	+0.30	-
Pens Intl	290.90	311.00	+2.40	-
Pens Global Eqty	131.10	138.10	+0.40	-
Pens Fixed	297.60	314.00	+0.30	-
Pens Index Lk	243.60	257.40	+1.60	-
Pens Property	92.30	97.20	—	-
Pens Cash	200.60	211.10	+0.12	-

	Bid Price
Scottish Amicable - Contd.	
Life Funds (Second Series)	
Managed	119.8
Equity	116.8
Property	104.3
International	131.4
Japanese	121.3
Asia Pacific	149.7
European	116.7
American	149.1
Fixed Interest	130.7
Index-Linked Gilt	128.2
Cash	110.5
Pension Funds	
Building Society	175.7
Managed (Cap)	247.7
Managed (Acc)	496.8
Equity (Cap)	280.8
Equity (Acc)	565.3
Property (Cap)	152.2
Property (Acc)	306.5
International (Cap)	240.9
International (Acc)	487.1
Fixed Interest (Cap)	241.2
Fixed Interest (Acc)	483.5
Cash (Cap)	153.8
Cash (Acc)	308.1
Others	
Capital Guarantee Bond	103.8
Scottish Equitable Life Assce.	
28 St Andrew Sq, Edinburgh	
Mixed	237.7
UK Equity	228.1
International	237.4
American	230.8
European	223.2
Japan	248.3
Pacific	334.8
Technology	312.8
Fixed Interest	179.5
Indexed Linked	162.1
Foreign Bond/Currency	228.7
Cash	174.49
Ethical	124.0
Pens Mixed	686.7

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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John Govett (Channel Islands) Ltd (1000)F
8 Mission Place, Helier, Jersey 0534 38575

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 604614

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey

Bank Von Ernst & Cie AG - Contd.

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Barclays Diversified Portfolio
14 rue Aldringen L-1118

INVESCO International Limited - Contd.

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drops on Russian calm

THE DOLLAR yesterday gave up much of the ground it had won against the D-Mark in the immediate aftermath of the Russian crisis as dealers took the view that events in Moscow would not unsettle western nations or financial markets, *writes James Blitz.*

The immediate aftermath of President Yeltsin's announcement that he was suspending parliament and ruling by direct decree was to push the dollar higher as a safe haven currency. It peaked at DM1.6475 against a D-Mark which was weak against most European currencies as well.

But the dollar buying reversed yesterday. Dealers may have been becalmed by the absence of blood on the streets of Moscow, and by signs that army leaders were firmly backing Mr Yeltsin rather than splitting into different factions.

Some dealers appeared concerned that the crisis could flare up at any moment with severe consequences for the west. But one London wondered whether events in Russia, even if they exploded into civil war, would have any long-term impact on Europe and the United States. As he put it, if a little crudely: "The complete collapse of the Russian economy has taken place and has been priced into the market. It is hard to see how things could get a whole lot of worse."

The fall in the dollar may also have been due to profit taking by calmer heads in the market. The US currency closed at DM1.6285 against the D-Mark from a previous DM1.6195. The French franc was confined to narrow range trading, closing at FFr3.483 from a previous FFr3.487. Sterling closed a little stronger against the D-Mark at DM2.4750 from a previous DM2.4675.

The Finnish Markka and the Swedish krona were more seriously hit because of their countries' trade links with the region.. They fell to lows of FM3.6300 and SKr5.0504 respectively but later recovered.

Mr Stephen King, International Economist at James Capel in London, believes the Russian events are unlikely to have a long term impact. He recalls that even the surge in the dollar that accompanied President Gorbachev's temporary ouster on August 19, 1991, was short lived. The US currency was at DM1.75 at the start of that month, peaked at DM1.81 and settled back to DM,1.74 by the beginning of September.

But he also thinks that, if elections are scheduled to be held in December in Russia, the uncertainty could give the dollar a better tone. "In that situation, dealers could be more inclined to look at developments that are positive for the dollar, such as declining German interest rates," he said.

Dollar/yen trading was sidelined. The Japanese currency had weakened to around Y107.50 against the dollar on the Russian events, but later appreciated to close at DM106.45.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.15078	-2.09	7.21	-
D-Mark	1.94964	1.91496	-1.78	6.87	-
Spanish Peseta	154.250	153.538	-0.46	5.45	3
Irish Punt	0.808628	0.820232	1.44	3.48	-10
Portuguese Escudo	192.854	195.940	1.60	3.31	-11
Belgian Franc	40.2123	40.8943	1.70	3.22	-12
French Franc	6.53883	6.66829	1.98	2.93	-17
Danish Krone	7.43679	7.80622	4.97	0.00	-34

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5125 - 1.5225	1.5200 - 1.5210	0.37-0.35cpm	2.84	1.05-1.02pm	2.72
Canada	1.9930 - 2.0075	2.0040 - 2.0050	0.39-0.21cdis	-1.47	0.64-0.51dis	-1.15
Netherlands	2.7715 - 2.7980	2.7750 - 2.7850	par-¼cdis	-0.54	¼-¾dis	-0.36
Belgium	52.45 - 53.00	52.90 - 53.00	14-20cdis	-3.85	35-44dis	-2.98
Denmark	10.0450 - 10.1480	10.0800 - 10.0900	3⅞-5¼oredis	-5.43	9½-11dis	-4.07
Ireland	1.0475 - 1.0625	1.0580 - 1.0590	0.08-0.13cdis	-1.19	0.24-0.30dis	-1.02
Germany	2.4675 - 2.4900	2.4725 - 2.4775	¼-¼pfdis	-0.91	¼-¾dis	-0.81
Portugal	248.65 - 253.65	252.65 - 253.65	89-130cdis	-5.19	277-358dis	-5.01

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Exeter Bank Limited	7	•Rea Brothers	6
•Henry Ansbacher	6	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
B & C Merchant Bank	[illegible]	•Robert Fleming & Co	6	* (in administration)	
Bank of Baroda	6	Girobank	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	•Guinness Mahon	6	•Smith & Williamson Secs	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of Ireland	6	•Hambros Bank	6	TSB	6
Bank of India	6	Heritable & Gen Inv Bk	6	•United Bk of Kuwait	6
Bank of Scotland	6	•Hill Samuel	6	Unity Trust Bank Plc	6
Barclays Bank	6	C. Hoare & Co	6	Western Trust	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
•Brown Shipley	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
CL Bank Nederland	6	•Leopold Joseph & Sons	6	Yorkshire Bank	6
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	McDonnell Douglas Bk	6		
The Co-operative Bank	6	Midland Bank	6		
Coutts & Co	6	Mount Banking	6		
Credit Lyonnais	6				

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OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	2.51	-	-	0.22	-
122	-	1.73	-	0.05	0.43	-
123	0.51	1.12	-	0.20	0.79	0.36
124	0.12	0.66	-	-	1.35	0.54
125	0.02	0.37	-	-	-	-
Open int	53.776	186,251	39,583	39,633	188,880	21,076

Estimated volume 98,435 † Total Open Interest 496,029

† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

Volatility in futures

EUROPEAN interest rate futures had a volatile day yesterday as dealers tried to track the changing political situation in Russia, *writes James Blitz.*

At the start of the day, short term interest rate markets lost a little ground in the wake of a downturn in bond prices. The December Euromark contract dropped a basis point to 93.88 and December sterling also dropped 1 basis point to 94.28.

UK clearing bank base lending rate 6 per cent from January 26, 1993

But, as signs grew that chaos was not taking place in Moscow, these markets rallied. They may also have gained from the "flight into quality" that tends to accompany any uncertainty: dealers often move assets down to the short end of the money market curve in times of change so as to be able to respond immediately to any new situation.

The December Euromark contract closed 3 basis points higher at 93.91 while December short sterling closed at 93.32, 4 basis points above its lows. December French francs closed 4 basis points higher on the day at 93.67.

In the German cash market, the Bundesbank helped to ease conditions by adding some DM5.2bn of liquidity. However, this did not bring call money any lower than 6.85 per cent, still some 15 basis points above the established repo rate.

Dealers are not expecting any cut in the discount rate at today's Bundesbank council meeting, which is due to be Mr Helmut Schlesinger's last as President of the central bank.

The central bank said there would be no press conference after today's meeting, although its ability to take the market by surprise can never be under-estimated.

In sterling markets, there was little change to interest rates along the curve.

Three month money again closed at 5⅞ per cent, with the bid rate at 5$\frac{13}{16}$ per cent and the offered side showing 5$\frac{15}{16}$ per cent.

There were difficulties removing the Bank of England's shortage, which was forecast at the start of trading at £1.2bn. The Bank did not operate in the early round, and only £11m was removed before lunchtime.

In the afternoon, only £590m was removed and there was late assistance of £570m, which could be rolled over today. The overnight cost of borrowing sterling peaked at 7¼ per cent.

As one London dealer said: "Trying to forecast the overnight in sterling these days is like trying to forecast the British weather."

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 22

INDICES

NEW YORK

DOW JONES

	Sep 21	Sep 20	Sep 17	Sep 16	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3537.24	3575.80	3613.25	3630.85	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	108.89	108.99	109.29	109.27	109.69 (13/9)	103.49 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1598.00	1616.38	1621.08	1625.35	1683.08 (15/4)	1453.84 (4/1)	1683.08 (15/4/93)	12.32 (8/7/32)
Utilities	251.10	252.70	254.02	254.22	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3582.57 (3622.81) Low 3501.47 (3557.98) (Theoretical)
Day's High 1616.73 (3621.07) Low 1597.98 (3575.58) (Actual)

STANDARD AND POOR'S

	Sep 21	Sep 20	Sep 17	Sep 16	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	452.95	455.05	458.83	459.43	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials¶	509.84	517.38	515.94	516.65	524.99 (10/3)	486.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.76	47.35	47.57	47.55	48.24 (10/9)	39.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	251.58	252.77	254.66	254.94	256.88 (31/8)	236.21 (8/1)	256.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	447.09	451.05	452.81	453.68	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	735.55	740.21	740.11	739.60	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 17	Sep 10	Sep 3	year ago (approx.)
Dow Industrial Div. Yield	2.81	2.81	2.80	3.10

	Sep 15	Sep 8	Sep 1	year ago (approx.)
S & P Industrial div. yield	2.47	2.49	2.45	2.83
S & P Indl. P/E ratio	27.84	27.57	28.07	27.77

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Paramount	6,146,100	77¼	+ 7½
Wal-Mart Stores	4,014,400	23⅝	- ¼
Telefonos	3,629,900	48¾	- ⅝

TRADING ACTIVITY

† Volume Millions	Sep 21	Sep 20	Sep 17
New York SE	298.772	228.412	369.525
Amex	23.534	18.610	20.857
NASDAQ	294.808	238.952	263.160

CANADA

TORONTO

TOKYO - Most Active Stocks

Wednesday, September 22, 1993

	Stocks Traded	Closing Prices	Change on day
Nikkatsu	35.0m	8	-16
Nippon Steel	6.0m	329	-2
Mitsubishi Hvy	4.2m	660	-6
Fujitsu	3.9m	795	-9
NEC	3.8m	935	-10
Itochu	3.4m	627	+2
Toshiba	3.0m	698	+16
Sumitomo Tr & Bk	2.7m	1,380	-70
Sumitomo Bank	2.8m	2,180	-70
Hitachi	2.4m	837	+19

JAPAN

4 pm close September 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	650	89	13	12¾	13	+¼
23⅞	13¾	A L Labs A	0.18	1.0	36	1249	18¼	18	18	
66⅛	54⅝	AMP Inc	1.60	2.4	23	1666	65⅝	64½	65⅝	+⅞
72¾	55½	AMR			16	4515	63¾	62⅛	63	
3½	1¾	ARX			12	117	3¼	3	3⅛	
51½	29⅞	ASA	2.00	4.7	27	1014	42⅝	41½	42¼	-1¼
30¾	22⅝	Abbott Lab	0.68	2.6	16	15985	26⅝	25⅞	25⅞	-¼
12⅝	9⅛	Abitibi Pr	0.50	5.6	4	91	9¼	9	9	-⅛
16¼	8¼	Acptncain			43	204	14⅛	13¾	13⅞	-⅛
36	25½	ACE Ltd	0.40	1.2		3839	33¼	32¾	32¾	
12	10¾	ACM Gvt In	0.96	8.6		603	11⅛	11	11⅛	+⅛
10	9⅛	ACM GvOpp	0.80	8.2		43	9¾	9⅝	9¾	
9⅞	8¾	ACM Gvt Sp	0.80	8.8		295	9½	9⅜	9⅜	
11⅝	10½	ACM Gvt Se	0.96	8.6		282	11¼	11	11⅛	+⅛
11⅝	9⅝	ACM Man	1.08	9.5		127	11½	11⅜	11⅜	
9⅞	8⅝	ACM Managd	0.72	7.9		171	9¼	9⅛	9⅛	-⅛
12⅞	7¾	Acme Clevel	0.44	4.7	12	125	9½	9¼	9⅜	+¼
9¼	6½	Acme Elect			46	27	7	6⅞	7	
27⅝	16⅝	Acordia	0.44	1.7	15	46	26	25½	26	
16	10⅝	Acuson			32	638	11⅝	11¼	11⅝	+¼
21¾	18¼	Adams Expr	0.48	2.6	0	386	18⅝	18⅜	18⅝	+¼
68¼	45½	Ad Micro	3.00	4.8		244	62¼	60½	62	+1¼
32¾	17⅝	Ad Micro P	3.00	10.0	11	5609	30⅛	28⅞	28⅞	+1
7¾	5½	Advest Grp	0.16	2.3	12	90	7⅛	6⅞	7	-⅛
24⅞	16	Advo Inc	0.08	0.6	18	161	17	16½	17	+⅛
50⅛	41⅛	Aegon ADR	1.23	2.6	9	58	47⅜	47¼	47¼	+¼
60½	43⅞	Aetna Lf	2.76	4.8	40	2923	58⅝	57⅝	57¾	+⅞
14½	11½	AGll A	0.26	1.8	30	1471	14⅜	14¼	14⅜	

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NYSE COMPOSITE PRICES

4 pm close September 22

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close September 22

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NASDAQ NATIONAL MARKET

4 pm close September 22

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AMERICA

Drugs stocks weaken ahead of Clinton

Wall Street

ALTHOUGH blue-chip and cyclical stocks remained weak on US equity markets yesterday, secondary issues put in a solid performance as concern about political unrest in Russia abated, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was down 6.42 at 3,530.82. The more broadly based Standard & Poor's 500 was up 0.95 at 453.90, while the Amex composite was 0.55 higher at 447.64, and the Nasdaq composite up 6.32 at 739.88. Trading volume on the NYSE was 163m shares by 1pm.

Prices rebounded from Tuesday's big losses as soon as the opening bell sounded. The early gains – the Dow jumped 15 points in the first 30 minutes – was partly a natural reaction to the sell-off the day before, and partly a response to the news of the latest developments from Russia.

The market's biggest fear, that the military would intervene to oppose President Boris Yeltsin and plunge the country into civil war, was not realised, and the widespread support for Mr Yeltsin among western nations reassured investors. The situation in Russia, however, remained uncertain, and continued to cast a shadow over trading in New York.

Domestic considerations were also influencing market sentiment yesterday. President Bill Clinton was due to officially present his healthcare plan to the nation last night, and the drug sector remained under pressure ahead of the speech.

Among the biggest drug stocks, Pfizer fell $⅞ to $60, Merck eased $½ to $31⅛, Bristol Myers-Squibb slipped $⅝ to $58⅛ and Johnson&Johnson eased $⅛ to $38⅝.

Primerica rose $⅝ to $46⅝ in volume of 1.3m shares and Travelers edged $⅛ higher to $36¾ in volume of almost 1m shares on the news that Primerica, which already owns 27 per cent of Travelers, is negotiating a possible stock-swap merger with the insurance group.

Paramount Communications remained the most heavily traded stock, rising $⅞ to $77⅞ in volume of 2m shares, as investors and traders continued to speculate about the takeover battle that has engulfed Paramount between Viacom, which has made an $8.2bn bid to buy the entertainment group, and QVC, which has bid $9.5bn for Paramount. QVC, quoted on the Nasdaq market, was in strong demand, rising $3⅝ to $59¾ in heavy trading, while Viacom, traded on the American Stock Exchange, climbed $1⅛ to $58⅛.

There was interest in a trio of foreign companies which made their debut on the US markets. PanAmerican Beverage, a Mexican bottling group, rose to $27⅞ from its flotation price of $25½. Mexican construction company Tribasa traded unchanged at $15½, while UK insurance company Sphere Drake was also steady, at $21.

Canada

TORONTO was weaker at midday as gold issues lost ground. The TSE-300 composite index was down 8.61 to 3,928.72 in volume of 34.7m shares valued at C$333.2m. Declining issues led advances 321 to 260, with 264 issues unchanged. The gold index was 336.04 points lower at midsession, at 8,365.39.

SOUTH AFRICA

GOLD shares in Johannesburg ended a nervous day little changed, but industrial stocks fell steadily throughout the session. The golds index lost 1 to 1,647, while industrials slid 75 to 4,363 and the overall index lost 41 to 3,770.

EUROPE

Bourses stage partial recovery after early fall

LATE on Tuesday, Morgan Stanley expected the new Russian political battle to produce further strength in the dollar, and weakness in western European equity markets – "the further east, the greater the risk."

So it turned out, initially, with the Eurotrack 100 index opening close to its low for the day, a little more than 1 per cent down, and the early-closing Vienna bourse registering a 2.8 per cent decline, *writes Our Markets Staff.*

However, by yesterday, Goldman Sachs was saying that, although a Russian civil war would lead to a 5-10 per cent decline in European share prices, the absence of strife (more likely) would bring recovery. Supported by an early upswing in New York, the Eurotrack reacted accordingly.

FRANKFURT, which had looked a little flighty on Monday and Tuesday, sustained more than the average setback before lunch, and managed less than the median recovery in the afternoon.

The DAX index fell 32.85, or 1.7 per cent to 1,893.00 over the official session; in the post-bourse the Ibis-indicated DAX put on only 6.77 to 1,899.77.

Turnover fell from DM8.4bn to DM7.5bn. Banks, closely linked in investors's minds to Russia and the risk of bad debts, all fell by more than 2 per cent; Commerzbank, traditionally seen as the least well-provisioned against bad debts, fell DMDM7.70, or 2.5 per cent to DM304.80.

Mr Nigel Longley, an institutional adviser with Commerzbank, said that yesterday's decline in the broad market was more a matter of marking shares down than actual profit-taking. However, there was still room for special situations. AEG, the Daimler subsidiary dismissed as a break-up situation by the German news weekly, Der Spiegel, over the weekend, fell another DM3.50 to DM150 for a drop of DM16.20, or nearly 10 per cent over the past five trading days.

PARIS, which had fallen some 1.4 per cent at the opening, recouped a significant percentage of the losses by the close. The CAC-40 index finished off 14.43 or 0.7 per cent at 2,079.96, after an intraday low of 2,059.63 and a high of 2,088.98.

Turnover was strong at FFr4.2bn. In a generally weaker market overall Carrefour, the food retailer, went against the trend with a rise of FFr67 or 2 per cent to FFr3,350 following positive brokers' recommendations based on the group's long term outlook.

FT-SE Actuaries Share Indices

September 22							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1265.81	1267.66	1267.81	1268.41	1270.60	1273.53	1273.22	1271.99
FT-SE Eurotrack 200	1337.13	1339.37	1339.88	1341.88	1344.39	1346.04	1346.35	1345.05

	Sep 21	Sep 20	Sep 17	Sep 16	Sep 15
FT-SE Eurotrack 100	1279.55	1278.06	1265.02	1257.07	1260.47
FT-SE Eurotrack 200	1351.37	1351.78	1343.60	1335.87	1337.35

Base value 1000 (26/10/90) High/day: 100 - 1275.11; 200 - 1348.86 Low/day: 100 - 1265.43 200 - 1336.55

The mood elsewhere was less bright although Havas gained FFr9.6 to FFr483 on reports that a magazine article, due to be published today, would reveal further information about a proposed share swap deal with Canal Plus, down FFr2 at FFr1,205.

Lafarge Coppée settled off FFr5 at FFr405 after reports, later denied by the construction materials group, that it might have been interested in making a bid for CBR, the Belgian cement manufacturer.

LVMH shed FFr41 to FFr4,092 ahead of today's announcement of interim results which are expected to show a substantial fall, while Ciments Français was down FFr5 at FFr165 ahead of first half results which came after the close.

AMSTERDAM recovered from an early fall with support from the heavily traded international stocks. The CBS Tendency index ended down 0.9 at 123.6 in turnover reported as moderate.

Among the internationals, Royal Dutch gained 30 cents to Fl 178.30. Unilever lost 60 cents to Fl 200 and Heineken fell Fl 1.40 to Fl 181.60.

ZURICH finished easier, but above early lows as investors returned to the market after an early round of profit-taking. The SMI index shed 17.2 to 2,414.6 after an intra-day low of 2,397.4.

Mr Mirko Sangiorgio of Bank Julius Baer in Zurich said that while overnight political developments had a depressing impact early in the day, investors quickly resumed buying.

Banks were easier with UBS SFr11 lower at SFr1,187 and CS Holding SFr25 lower at SFr2,870. Large sell orders left Swissair SFr17 lower at SFr723 after a local press report that shareholders were unlikely to approve the company's planned Alcazar alliance with three other European airlines under the terms proposed.

Against the trend, Schindler bearers added SFr100 to SFr5,800 as the company announced plans for a new generation of lift systems.

MILAN's decline was eased by a strong Olivetti performance as the Comit index shed 7.6, or 1.3 per cent to 589.94.

Strong foreign demand late in the day took Olivetti L49 or 2.5 per cent higher to L1,974. Analysts, who noted that the company was expected to report further losses shortly, attributed the rise to the company's hopes of breaking into Italy's buoyant mobile telecommunications market.

Gemina, the financial holding company, put on L28 to L1,490 in response to its announcement of higher full year figures on Tuesday.

Sme rose L38 to L4,170 as the supermarket and restaurant chain said that revenues rose 6 per cent in the first eight months of the year.

MADRID, a late closer, came out with one of the day's bigger declines, the general index losing 3.64, or 1.3 per cent at 283.90. Turnover rose from Pta17.8bn to Pta22.5bn.

Mr José Manuel Arroyo, director of equities at Asesores Bursatiles in Madrid, said that the market was taking profits yesterday, especially in banks; he added that Madrid's above average fall was its usual reaction to dramatic events, as a small market susceptible to global investment decisions.

STOCKHOLM was supported by a firmer local currency and further falls in domestic interest rates. The Affärsvärlden general index rose 18.0 to 1,263.4 in turnover up from SKr1.1bn to SKr1.3bn.

Ericsson, in telecommunications, and Astra in pharmaceuticals led the market's rise, the former's B shares gaining SKr8 to SKr418 and the latter's up SKr4 at SKr161.

VIENNA's traders and analysts said they expected market uncertainty to continue until there are clear signs of one side coming out on top in the Russian power struggle. The ATX index closed 27.01 down at 949.79.

ISTANBUL gained ground in late trading after the KOI, the organisation responsible for privatisations, announced that Kalkinma Bankasi, the state bank, could only sell its 5.4 per cent stake in Ergeli, the steel group, with its consent.

The composite index finished up 295.3 at 14,483.9.

ASIA PACIFIC

Mixed feelings on Pacific Rim as Nikkei loses 1.4%

Tokyo

CONCERN about the political situation in Russia held investors back in Tokyo and stock prices ended broadly lower, awaiting reaction in the European markets, *Reuter reports from Tokyo.*

The 225-share Nikkei average fell 292.03, or 1.43 per cent, to 20,174.62, more than erasing Tuesday's 300-point gain prompted by the Bank of Japan's bigger than expected 0.75 percentage point discount rate cut. The index registered a high for the day of 20,380.74 and a low of 20,112.11.

Volume was estimated at 300m shares, compared with 349.9m the previous day, and declining issues outnumbered advances by 959 to 115, with 111 stocks unchanged.

The broader first section Topix index was down 21.68, or 1.31 per cent, at 1,628.12, but in London the ISE/Nikkei 50 index edged up 0.64 to 1,251.68.

News of the Russian political crisis had sent Nikkei futures prices falling in Chicago, laying the ground for a weaker Tokyo opening. The market was also hit by selling from arbitrage unwinding.

After falling throughout the morning, the market was reluctant to move in afternoon trade, in the absence of much foreign demand.

However, some buying by trust funds gave some stability at the lower levels and helped the Nikkei to tread water above the 20,000 mark.

The decline was broadly based with no sectors advancing. High-tech shares were heavily traded. NEC retreated Y10 to Y935, Fujitsu Y9 to Y793 and Oki Electric Industry Y17 to Y520. Toshiba was an exception, moving ahead Y16 to Y698, boosted by some buying by foreign brokerages.

Banking issues weakened across the board. The Industrial Bank of Japan receded Y70 to Y3,290, Nippon Credit Bank Y60 to Y6,010 and Sumitomo Bank Y70 to Y2,180.

Among easier steel shares, Nippon Steel slipped Y2 to Y329 and Mitsubishi Heavy Industries Y8 to Y680.

Roundup

WITH ONE or two markets oblivious to problems elsewhere in the world, the region's equity markets fell by an average of less than 0.5 per cent on the day.

BANGKOK offered the biggest response as bad news below 1,000 on the SET index was interpreted as a sell signal, the index falling by 14.83, or 1.5 per cent, to 977.75 in turnover of Bt7.46bn.

SINGAPORE recouped half of a 2.4 per cent intraday fall to end with the Straits Times Industrial index 25.77 down at 1,969.97. Volume amounted to 403.87m shares.

CarnaudMetalbox dropped S$1.90 to S$9.80 on worse than expected interim earnings.

MANILA mirrored New York's overnight decline on Russia's political turmoil, the composite index closing 18.28 lower at 1,921.43 in combined turnover up from 626.44m pesos to 672.46m pesos.

HONG KONG and **AUSTRALIA**, hosting the biggest equity markets on the Pacific Rim outside Japan, did little in aggregate terms, the Hang Seng index shedding 16.41 to 7,478.90 in HK$3.64bn turnover and the All Ordinaries losing 5.9 at 1,919.3, after an opening 1,927.5, in A$463.8m trade.

In the former, investors were looking to the vote tomorrow on Beijing's bid to host the 2000 Olympics. The result, it was estimated, could move the Hang Seng index by 200 to 300 points either way. In the latter, a strong golds sector offset big falls elsewhere.

Winners on the day included **KARACHI** and **SEOUL**. Pakistani stocks saw fresh buying in the energy sector after the government announced plans to privatise the Karachi Electric Supply Corporation (KESC), and the KSE index climbed 13.75 to 1,327.11.

Seoul survived late institutional selling to finish with the composite index a token 2.90 ahead at 697.56.

Performance varies in emerging markets

By John Pitt

There were wide swings last week in the world's emerging markets, ranging from another strong gain in dollar terms in Turkey to a sharp fall in Portugal.

Elsewhere among the indices compiled by the IFC, the private sector arm of the World Bank, significant positive movements were recorded in Jordan, Brazil, the Philippines and India, while other declining markets included Mexico, Colombia and Greece.

In Asia, Pakistan has seen a subdued performance recently ahead of the general elections next month. BMA Capital Management in Karachi commented that last week's performance was supported by favourable August trade data, which showed an increase in exports to $538m from July's $451m. The brokerage also noted that the market is now likely to remain subdued until the elections on October 6.

Among Latin American markets, Mexico suffered a setback as Nafta worries unsettled investors. The market drifted lower during the week as the realisation took hold that Nafta faces a difficult passage through the US congress, particularly as Mr Richard Gephardt, House majority leader, said he would vote against the deal. The market was slightly stronger yesterday in early trading.

Baring Securities also noted further privatisation developments, with the award of two more port concessions: "Between 1993 and 1994 total investment in ports is expected to reach $700m, most of which will be spent in the construction and improvement of terminals."

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Sep 17 1993	% Change over week	% Change on Dec '92	Local currency terms: Sep 17 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	729.79	+0.1	+25.8	447,818.16	+0.1	+26.1
Brazil	(44)	243.60	+4.4	+94.9	37,223,736.05	+12.1	+1,684.9
Chile	(20)	436.53	+0.3	+4.3	711.63	+0.3	+11.0
Colombia[1]	(8)	466.76	-3.6	+9.8	671.05	-3.3	+9.8
Mexico	(58)	701.52	-4.1	+3.8	940.43	-4.2	+3.6
Venezuela[2]	(8)	480.59	+1.0	-7.5	1,052.11	+1.6	+12.7
East Asia							
South Korea[3]	(130)	94.15	-1.4	-4.1	100.11	-1.2	-1.6
Philippines	(11)	195.13	+2.8	+46.1	261.59	+3.2	+61.8
Taiwan, China[4]	(76)	82.04	+1.5	+11.2	82.14	+1.5	+17.8
South Asia							
India[5]	(61)	93.67	+2.5	-0.0	103.58	+2.5	+8.5
Indonesia[6]	(31)	97.04	-0.3	+66.3	110.77	-0.4	+68.4
Malaysia	(61)	234.70	-0.2	+43.5	220.60	-0.0	+39.9
Pakistan[7]	(8)	220.18	+0.3	+10.0	297.77	+0.4	+28.5
Thailand	(52)	277.07	+0.0	+20.3	276.68	-0.0	+16.7
Euro/Mid East							
Greece	(17)	218.30	-3.5	+11.8	343.22	-2.6	+20.5
Jordan	(5)	172.68	+8.2	+47.8	245.05	+8.2	+47.8
Portugal	(16)	107.65	-6.0	+39.5	122.25	-4.9	+58.8
Turkey[8]	(31)	168.04	+8.5	+151.3	927.05	+9.6	+245.7

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Jan 5 1990; (3)Jan 3 1992; (4)Jan 4 1991; (5)Nov 6 1992; (6)Sep 28 1990; (7)Mar 1 1991; (8)Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 21 1993								MONDAY SEPTEMBER 20 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	141.98	+0.8	138.21	95.40	119.54	144.41	+0.2	3.58	141.14	136.58	93.01	118.32	144.19	148.84	117.39	129.25
Austria (17)	173.47	+0.5	168.87	116.56	146.06	145.07	+0.2	1.07	172.66	167.10	113.79	144.75	144.77	180.43	131.16	158.93
Belgium (42)	148.19	-0.4	144.26	99.57	124.77	126.26	-0.4	4.58	148.82	144.02	98.07	124.76	126.80	156.76	131.19	140.86
Canada (107)	121.50	-0.4	118.28	81.64	102.29	116.35	-0.5	2.92	122.01	118.08	80.40	102.28	116.89	130.38	111.41	123.12
Denmark (32)	228.65	-0.5	222.58	153.64	192.52	205.56	-0.3	1.10	229.75	222.34	151.40	192.81	206.16	232.42	185.11	201.78
Finland (23)	106.48	+0.2	103.66	71.55	89.66	130.23	+0.6	0.80	106.32	102.89	70.07	89.13	129.47	116.56	65.50	53.94
France (97)	167.55	-0.8	163.11	112.58	141.06	148.50	-0.4	3.11	168.92	163.47	111.31	141.60	149.11	171.69	142.72	157.69
Germany (80)	129.13	+0.2	125.71	86.76	108.73	108.73	+0.6	1.93	128.86	124.71	84.93	108.03	108.03	129.13	101.59	114.34
Hong Kong (55)	297.11	+1.7	289.23	199.64	250.17	295.01	+1.7	3.39	292.09	282.67	192.48	244.88	289.99	302.14	218.82	238.70
Ireland (14)	166.36	-0.3	161.94	111.78	140.07	162.73	-0.2	3.45	166.92	161.53	109.99	139.93	163.10	173.06	129.28	155.60
Italy (70)	74.55	+0.0	72.57	50.09	62.76	87.32	+0.4	1.88	74.58	72.18	49.15	62.52	86.93	78.93	53.78	51.50
Japan (470)	154.09	-1.2	150.00	103.54	129.75	103.54	+0.7	0.80	156.02	150.98	102.81	130.81	102.81	165.91	100.75	112.96
Malaysia (69)	398.17	+0.0	387.61	267.53	335.24	390.50	+0.0	1.77	398.36	385.51	262.50	333.95	390.48	410.47	251.66	241.71
Mexico (19)	1642.85	-1.5	1599.26	1103.90	1383.24	5579.02	-1.6	0.88	1668.37	1614.56	1099.42	1398.65	5667.50	1771.56	1410.30	1226.45
Netherland (24)	182.67	-0.8	177.82	122.74	153.81	151.70	-0.2	3.81	183.71	177.78	121.06	154.01	151.93	187.18	150.39	163.01
New Zealand (13)	59.59	-1.1	58.01	40.05	50.18	57.09	-1.4	3.91	60.25	58.31	39.71	50.51	57.89	62.98	40.58	42.25
Norway (22)	173.60	-1.2	169.00	116.65	146.17	165.89	-1.0	1.59	175.63	169.96	115.74	147.24	167.58	177.44	137.71	142.27
Singapore (38)	289.35	+0.1	281.67	194.43	243.62	212.34	+0.0	1.62	288.95	279.63	190.42	242.24	212.39	290.53	207.04	183.51
South Africa (60)	186.49	-1.3	181.54	125.31	157.01	189.44	-0.4	2.76	188.87	182.78	124.46	158.34	190.21	215.29	144.72	176.21
Spain (43)	139.07	-0.6	135.38	93.45	117.09	135.96	-0.5	4.19	139.88	135.36	92.18	117.26	136.64	140.97	115.23	120.20
Sweden (36)	180.65	-1.7	175.85	121.39	152.10	217.68	-0.9	1.55	183.84	177.91	121.15	154.12	219.56	196.23	149.70	166.24
Switzerland (50)	138.56	-0.6	134.88	93.11	116.68	121.76	+0.4	1.78	139.40	134.91	91.87	116.88	121.30	139.40	108.91	117.56
United Kingdom (218)	186.25	-0.7	181.31	125.14	156.80	181.31	-0.1	3.94	187.47	181.43	123.53	157.15	181.43	191.70	162.00	174.88
USA (520)	185.22	-0.5	180.30	124.46	155.96	185.22	-0.5	2.77	186.13	180.12	122.66	156.04	186.13	189.40	175.38	170.09
Europe (748)	156.69	-0.5	152.53	105.28	131.94	145.63	+0.0	3.10	157.52	152.44	103.80	132.06	145.63	159.39	133.92	141.38
Nordic (113)	173.67	-1.2	169.06	116.70	146.23	180.86	-0.6	1.36	175.74	170.07	115.81	147.33	181.88	183.23	142.13	151.56
Pacific Basin (714)	158.50	-1.0	154.30	106.51	133.46	110.94	+0.7	1.07	160.09	154.93	105.50	134.21	110.16	168.80	105.89	117.15
Euro-Pacific (1462)	157.65	-0.8	153.47	105.92	132.73	125.12	+0.4	1.90	158.92	153.80	104.72	133.22	124.60	162.86	117.26	126.96
North America (627)	181.26	-0.5	176.45	121.81	152.65	180.55	-0.5	2.77	182.15	176.27	120.05	152.73	181.43	185.59	171.51	167.16
Europe Ex. UK (530)	137.75	-0.4	134.09	92.58	116.01	124.81	+0.0	2.55	138.36	133.90	91.19	116.02	124.77	139.50	112.51	121.01
Pacific Ex. Japan (244)	202.15	+0.8	196.79	135.85	170.22	188.25	+0.7	3.04	200.52	194.05	132.16	168.12	187.00	205.61	152.70	158.26
World Ex. US (1648)	157.62	-0.8	153.44	105.92	132.72	126.95	+0.4	1.93	158.90	153.77	104.72	133.22	126.50	162.89	118.51	127.97
World Ex. UK (1950)	163.85	-0.7	159.50	110.10	137.97	141.42	+0.1	2.06	164.99	159.67	108.73	138.33	141.34	168.50	134.22	138.01
World Ex. So. Af. (2108)	165.81	-0.7	161.41	111.42	139.62	144.62	+0.0	2.23	166.95	161.56	110.02	139.97	144.55	170.43	137.29	141.06
World Ex. Japan (1698)	174.02	-0.4	169.40	116.94	146.54	168.39	-0.3	2.89	174.79	169.15	115.19	146.56	168.82	177.11	157.47	157.51
The World Index (2168)	165.82	-0.7	161.42	111.43	139.63	145.03	+0.0	2.24	166.97	161.59	110.04	139.99	144.97	170.42	137.32	141.21

Latest prices were unavailable for this edition.